

Maoyan Entertainment

貓眼娛樂

(Incorporated in the Cayman Islands with limited liability)

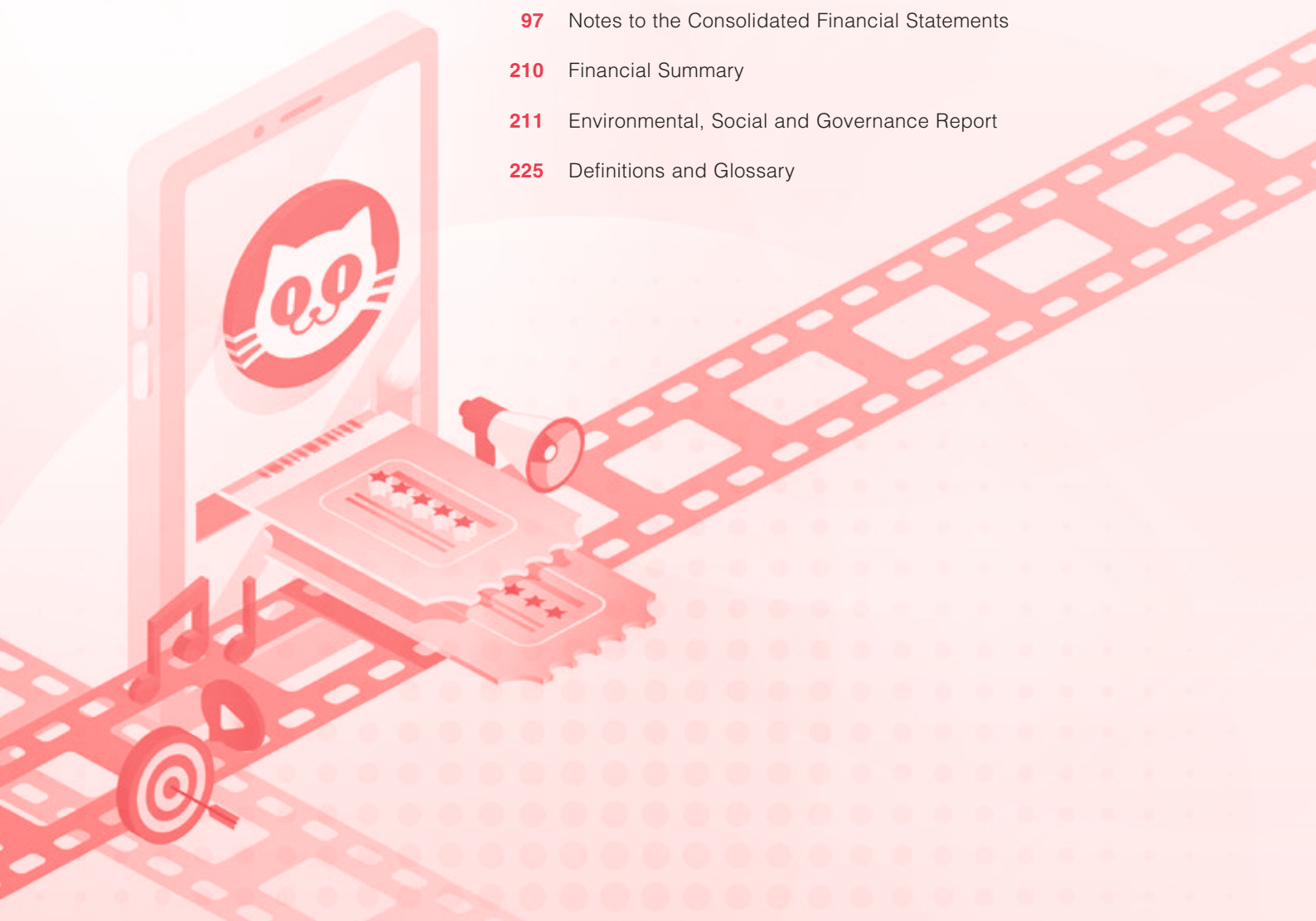
Stock Code : 1896



2020
ANNUAL REPORT

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Corporate Information

BOARD OF DIRECTORS

Executive Director

Mr. Zheng Zhihao (*Chief Executive Officer*)

Non-executive Directors

Mr. Wang Changtian (*Chairman*)

Ms. Li Xiaoping

Ms. Wang Jian

Mr. Zhan Weibiao (resigned on June 9, 2020)

Mr. Cheng Wu (appointed on June 9, 2020)

Mr. Chen Shaohui

Mr. Lin Ning

Mr. Tang Lichun, Troy (appointed on January 15, 2020)

Independent Non-executive Directors

Mr. Wang Hua

Mr. Chan Charles Sheung Wai

Mr. Ma Dong (resigned on October 28, 2020)

Mr. Yin Hong (appointed on October 28, 2020)

Mr. Luo Zhenyu (resigned on June 9, 2020)

Ms. Liu Lin (appointed on June 9, 2020)

AUDIT COMMITTEE

Mr. Chan Charles Sheung Wai (*Chairman*)

Mr. Wang Hua

Mr. Ma Dong (resigned on August 18, 2020)

Ms. Liu Lin (appointed on August 18, 2020)

NOMINATION COMMITTEE

Mr. Wang Hua (*Chairman*)

Mr. Chan Charles Sheung Wai

Mr. Zheng Zhihao

REMUNERATION COMMITTEE

Mr. Wang Hua (*Chairman*)

Mr. Ma Dong (resigned on August 18, 2020)

Ms. Liu Lin (appointed on August 18, 2020)

Mr. Zheng Zhihao

JOINT COMPANY SECRETARIES

Ms. Zheng Xia

Mr. Cheng Ching Kit

AUTHORIZED REPRESENTATIVES

Mr. Zheng Zhihao

Mr. Cheng Ching Kit

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

Registered Public Interest Entity Auditor

REGISTERED OFFICE

Walkers Corporate Limited

190 Elgin Avenue,

George Town,

Grand Cayman KY1-9008,

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

No.3 Building, Yonghe Hangxing Garden

No.11 Hepingli East Street

Dongcheng District

Beijing, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai, Hong Kong

LEGAL ADVISORS

As to Hong Kong law:

Clifford Chance

As to Cayman Islands law:

Walkers (Hong Kong)

As to the law of the People's Republic of China:

Commerce & Finance Law Offices

COMPLIANCE ADVISOR

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

HONG KONG SHARE REGISTRAR

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Walkers Corporate Limited
190 Elgin Avenue
George Town
Grand Cayman KY1-9008
Cayman Islands

PRINCIPAL BANKERS

China Merchants Bank, Beijing Branch
Ping An Bank, Garden Road Sub-Branch

STOCK CODE

1896

COMPANY'S WEBSITE

www.maoyan.com



CEO's Statement

I am pleased to present our annual results for the year ended December 31, 2020.

FINANCIAL HIGHLIGHTS

Our revenue decreased to RMB1,365.7 million in the full year of 2020 from RMB4,267.5 million in the full year of 2019. Our gross profit decreased to RMB537.3 million in the full year of 2020 from RMB2,657.1 million in the full year of 2019. Our loss for the full year of 2020 was RMB646.3 million, whereas our profit for the full year of 2019 was RMB458.9 million. Our adjusted LBITDA for the full year of 2020 was RMB360.3 million, decreased from EBITDA of RMB946.4 million in the full year of 2019, whereas our adjusted net loss^(Note) was RMB435.6 million in the full year of 2020, decreased from adjusted net profit^(Note) of RMB703.2 million in the full year of 2019.

BUSINESS REVIEW AND OUTLOOK

In 2020, due to COVID-19, all the cinemas in mainland China had been shut down for 183 days from January 23, 2020, which posed unprecedented difficulties and challenges throughout the entire movie industry value chain. As the epidemic was kept under control in China and the strong consumer demand for offline movie watching was released continuously, the box office of the Chinese movie market has bounced back significantly, taking the lead in industry recovery among global movie markets.

During the outbreak of the epidemic, we took active measures to assist the recovery of the industry, enhanced our platform service capabilities, diversified our reserve of contents and strengthened the extent and depth of our participation in the industry. Meanwhile, leveraging on our asset-light business model and strict cost management, we had excellent risk-resistant ability and driving force of business development, which help us better mitigate the impact of the epidemic and promote the recovery and robust development of the Company's business.

Keep Firm Foothold to Reduce Cost and Increase Efficiency

Since 2020, the national box office market has showed strong momentum of recovery and development. In 2020, the total gross box office for China's movie industry was approximately RMB20.3 billion. Even as cinemas strictly implemented the 75% attendance limit imposed by the government, the seven-day box office on National Day Holiday in 2020 was RMB3.7 billion, which was recovered to more than 80% level compared to that in 2019 holiday period. As of December 31, 2020, the cumulative number of cinema screens in mainland China increased by 8.3% year-over-year to 75,581. As of February 28, 2021, China's year-to-date total box office grew by 7% to more than RMB15.5 billion.

For Maoyan, our movie ticketing business has recovered along with the recovery of the market. During the reporting period, our market share was stable and we continued to maintain our leading position in the industry. In the future, we will continue to promote the construction of ticketing system, strictly control our costs and expenses of ticketing business, stabilize the market share and revenue performance, and further improve the profitability of ticketing business.

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

Build up Profound Strength by Cultivating Quality Contents

In 2020, we have participated in many movies and TV series, which have been successively released to the public with the re-opening of cinemas and the broadcasting of TV stations and video platforms. As an important participant in the pan entertainment industry, we continued to enhance our extent and depth of participation in the industry, strengthened content reserves, continued to expand our footprints upstream into the industry, and further improved the penetration and profitability of the blockbuster contents.

In terms of cinema movies, Maoyan has participated as a producer/distributor in three of the four movies that each achieved more than RMB1 billion box offices in 2020, respectively My People, My Homeland (我和我的家鄉), Legend of Deification (姜子牙) and The Sacrifice (金剛川). In addition, the movies, such as One Second (一秒鐘) and Back To The Wharf (風平浪靜) produced and mainly distributed by us have had positive reception in the industry, which further validate our ability in movie selection, promotion and distribution. For example, Back To The Wharf (風平浪靜), as the first realised movie self-produced by Maoyan, was shortlisted for the 23rd session of SIFF Golden Goblet Awards, and related unit of Cairo International Movie Festival and IFFAM.

We have built up an abundant reserve of contents which will be released in 2021 and beyond. We will also continue to enhance our participation in quality movies going forward, especially to deeply participate in the blockbusters for the important occasions. For example, we have participated in five of the seven movies that were released on the first day of the Spring Festival in 2021 as a producer/distributor. Among them, the movie Hi, Mom (你好·李煥英), which we acted as the main producer and guaranteed distributor, realized excellent performance and turned out to be the dark horse in the Spring Festival of 2021. As of March 30, 2021, the box office is over RMB5.3 billion, ranking the Second in the history of Chinese movies. There will be a series of quality movies that we acting as producer/distributor at opportune time, including but not limited to 1921 (1921), Raging Fire (怒火•重案), The Chinese Doctors (中國醫生), Across the Furious Sea (涉過憤怒的海), Warriors of Future (明日戰記) and Knock, Knock (不速來客).

In addition, we have also started the self-production of cinema movies since 2019. Leveraging our high professional standard and content development expertise, we have produced more quality contents to extend the depth of our proprietary content reserves and strengthen our own IPs development. After Back To The Wharf (風平浪靜), we are currently in active production of movies such as On Your Mark (了不起的老爸), Game Start (天才遊戲), A Film Is Born (揚名立萬), Flaming Cloud (三貴情史), Moses On The Plain (平原上的摩西), The Woman in the Storm (我經過風暴) and New Five Golden Flower (新五朵金花) which will be released successively.

In addition to cinema movies, we were also constantly enriching content categories, and continued to increase the production and participation of TV series and streaming movies. In 2020, we co-produced two TV dramas with Tencent such as Miss Crow and Mr. Lizard (烏鴉小姐與蜥蜴先生) and Babel (通天塔). The law-themed suspense TV series The Last Straw (庭外辯護) developed and produced by us is planned to be shot in the first half of 2021, which will be exclusively broadcasted on Youku. Genius Go Talent (天才棋士), Beauty in Truth (女為悅己者), Love Me If You Dare (服不服) and several other TV series self-produced by Maoyan are planned to be shot this year. Besides, we have gradually established a solid roadmap for producing streaming movie content in a variety of categories such as northeastern comedy, new martial arts, and military, etc. We plan to release those online movies gradually in 2021 and beyond.



CEO's Statement

Make Whole Network Integration to Continue to Strengthen Internet Entertainment Promotion Platform Capabilities

As a leading domestic movie distributor and a comprehensive Internet entertainment marketing platform, we gave full play to the nature and advantages of our “Internet and Entertainment” platform. We continued to build an online and offline integrated marketing ecosystem, integrated the resources and advantages of Maoyan’s own platform and the major platforms in the industry to assist the movie producers with increasingly targeted and effectively promotion solutions .

To address the different levels of marketing demands across the whole industry, we provide both standardized and customized movie promotion solutions. Our standardized promotion and distribution products, such as data consulting, precision marketing, material management and monitoring listed in Maoyan Pro (貓眼專業版), provide assistance to movie producers to improve efficiency. In addition, we also provided customized products and services for industry partner to achieve optimal promotion and distribution performance. For example, for the movie Hi, Mom (你好·李煥英), which was main produced and guaranteed distributed by us, we made continuous innovations by combining the environmental changes and the characteristics of the movie under the epidemic situation, and successively launched several innovative promotion and distribution solutions, such as “cloud road show (雲路演)”, “cloud block booking (雲包場)” and “red packet (助力主創紅包)” etc., helped to boost the movie’s appeal, generate audience interest leading to its official release, and make it stand out above other competing titles. Our ability of continuous accumulation and innovation has been widely recognized by the market and further proved the promotion and distribution ability of Maoyan.

In order to support the realization and implementation of promotion and distribution products, we continued to build and enrich our promotion and distribution resources, and devoted ourselves to building our omni-channel media ecosystem covering the whole scenes of users’ online life. Up to now, the total user number of our Maoyan mini program ecosystem covering WeChat, Douyin, Baidu and other platforms has exceeded 450 million.

We were committed to creating industry standardization indicators, such as “real-time wish-list gathering” (實時想看) and “real-time pre-sale” (實時預售) index of Maoyan Pro (貓眼專業版), and improved the width, depth and accuracy of the coverage of such indicators, aiming to provide a more accurate and effective reference indicators and codes of conduct. Take “real-time wish-list gathering” as an example, we continued to strengthen cooperation with major platforms such as Douyin on film data and platform cooperation to get access to the entry of each viewer, and we accessed with Douyin’s “wish-list” (想看) index, enabling the movie producers to constantly monitor the accuracy and effectiveness of the promotion and distribution performance of all platforms.

Embrace Changes to Fortify Service Ability of Data Platform

Leveraging on Maoyan's advantages in the movie ticketing platform and continuous participation in the pan entertainment industry, we have accumulated a wealth of industry data. Besides, we constantly expanded data sources, updated data dimensions and professional functions, strived to provide comprehensive and professional data reference for the entire industry, and to provide the best data analysis and data support solutions for industry partners.

In 2020, we further strengthened the cooperation with major online platforms, accessed to data sharing resources, and improved the industry reference indicators in film box office, original music, movie traffic data, user search data and other aspects, including but not limited to:

- Accessed to Tencent Video's streaming movie box office performance data, becoming the first platform to collect this key metric from all three of the major Chinese video platforms including Tencent Video, iQIYI and Youku;
- Launched "Uni Chart" (由你音樂榜) of Tencent Music Group which syndicated data on movie MV lists, movie soundtrack lists, TV series MV lists, TV series soundtrack lists and variety show soundtrack lists to help our industry partners easily monitor the effectiveness of their music marketing initiatives;
- Launched "Weibo Movie Chart" (微博電影榜) and combined WeChat Movie Popularity Chart and Baidu Movie Popularity Chart to provide more complete social media popularity monitoring data for the industry;
- Launched "Douyin Movie Chart" (抖音電影榜), "Douyin Drama Chart" (抖音劇集榜) and "Douyin Shows Chart" (抖音綜藝榜). The complete user data link and ecosystem brought by such data complementarity means the comprehensive upgrade of the refinement of online promotion and distribution in the content industry;
- Connected the cinema resources of Maoyan to Baidu ecosystem through mini programs to obtain accurate traffic of users' searches. At the same time, linked with Baidu App, Bai Jiahao and Baidu Map to realize traffic aggregation within Baidu ecosystem.

The comprehensive coverage and integration of the above data capabilities further lift Maoyan's platform service capabilities and data service capabilities. In 2020, we provided data service for more than 40 movies, covering movies released on National Day, New Year's Day and Spring Festival and other major Chinese holiday seasons. In 2021, we will continue to enhance our data analysis capabilities and data support solutions for entertainment contents. For example, four of the seven movies released in the Spring Festival in 2021 used the data service of Maoyan Research Institute, which reflects the coverage rate of our data service. In addition to cinema movies, we have also expanded the data service and platform service for streaming contents. For example, we provided research and testing services for Run For Young (風犬少年的天空), A Murderous Affair in Horizon Tower (摩天大樓) and other TV series, and provided data service for Legend of Ravaging Dynasties 2 (爵跡 2), Once Upon a Time in the Northeast I Am Haizhu (東北往事：我叫劉海柱) and other streaming movies.



CEO's Statement

Meanwhile, Maoyan also continued to attach importance to the data service and support for the whole industry, to keep the whole industry partners informed of industry information and trends. In 2020, Maoyan Research Institute released dozens of research reports on the impact of the epidemic, box office and schedule, the streaming movie market, etc., to assist the rapid recovery of the industry with big data.

Achieve Sound Growth to Build a Better Life

Based on the above, the pan entertainment industry was severely impacted by the epidemic in 2020. However, due to the effective management and control over the epidemic and with the joint efforts of all industry participants, the entertainment industry in China ushered in full recovery after general shutdown, and the New Year's Day and Spring Festival releases in 2021 also recorded notable box office. Moreover, certain movies that we participated in, such as Hi, Mom (你好·李焕英), Detective Chinatown 3 (唐人街探案3) and A Writer's Odyssey (刺杀小说家), recorded excellent performance as a result of recovery of the Chinese movie market, which is expected to further boost the Company's performance for the first quarter of 2021. We remain confident about our own growth prospect as well as the overall industry's long-term healthy development. We believe the audiences will always support quality contents. By embracing data and innovations, making quality contents reach to suitable audiences we can help to leverage the value of the content industry and build a better life.

As a leading platform to provide innovative Internet services for the whole entertainment industry, we will continue to enhance our core abilities, present more quality contents, further improve the basic service capacity of the platform and facilitate the recovery and development of the industry. Finally, we would like to express our heartfelt thanks to all colleagues, shareholders and industry partners for their trust and companionship. Let us work together and generate great values for our industry!

Executive Director and Chief Executive Officer

ZHENG Zhihao

Hong Kong

March 30, 2021

Management Discussion and Analysis



2020 REVIEW

	Year ended December 31,			
	2020		2019	
	RMB million	%	RMB million	%
Revenue	1,365.7	100.0	4,267.5	100.0
Cost of revenue	(828.4)	(60.7)	(1,610.4)	(37.7)
Gross profit	537.3	39.3	2,657.1	62.3
Selling and marketing expenses	(485.8)	(35.6)	(1,547.8)	(36.3)
General and administrative expenses	(353.6)	(25.9)	(447.8)	(10.5)
Net impairment losses on financial and other assets	(418.4)	(30.6)	(41.9)	(1.0)
Other income	130.8	9.6	52.5	1.2
Other (losses)/gains, net	(14.5)	(1.1)	3.8	0.1
Operating (loss)/profit	(604.2)	(44.3)	675.9	15.8
Finance income	15.9	1.2	29.0	0.7
Finance costs	(37.8)	(2.8)	(42.8)	(1.0)
Finance costs, net	(21.9)	(1.6)	(13.8)	(0.3)
Share of losses of investments accounted for using equity method	(2.5)	(0.2)	(0.6)	(0.0)
(Loss)/profit before income tax	(628.6)	(46.1)	661.5	15.5
Income tax expenses	(17.7)	(1.3)	(202.6)	(4.7)
(Loss)/profit for the year	(646.3)	(47.4)	458.9	10.8
Non-IFRS Measures:				
(LBITDA)/EBITDA	(432.9)	(31.7)	839.9	19.7
Adjusted (LBITDA)/EBITDA	(360.3)	(26.4)	946.4	22.2
Adjusted net (loss)/profit ^(Note)	(435.6)	(31.9)	703.2	16.5

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

Management Discussion and Analysis

Revenue

Our revenue decreased by 68.0% to RMB1,365.7 million in 2020 from RMB4,267.5 million in 2019. This decrease was primarily a result of decreases in the revenue from online entertainment ticketing services, entertainment content services, advertising services and others as affected by COVID-19 pandemic in 2020. The following table sets forth our revenues by service for the years ended December 31, 2020 and 2019.

	Year ended December 31,			
	2020		2019	
	RMB million	%	RMB million	%
Revenue				
Online entertainment ticketing services	756.5	55.4	2,303.2	54.0
Entertainment content services <i>(Note)</i>	353.3	25.9	1,396.8	32.7
Advertising services and others	255.9	18.7	567.5	13.3
Total	1,365.7	100.0	4,267.5	100.0

Note: This amount included fair value loss on the Group's investment in movie and TV series amounting to RMB27.5 million for the year ended December 31, 2020 and fair value gain on the Group's investment in movie and TV series amounting to RMB15.6 million for the year ended December 31, 2019.

Online Entertainment Ticketing Services

Revenue from our online entertainment ticketing business decreased by 67.2% to RMB756.5 million in 2020 from RMB2,303.2 million in 2019, mainly due to the significant revenue decrease in the online performance ticketing business as overshadowed by COVID-19 pandemic, which had resulted in closedown of movie theaters in mainland China for 183 days from January 23, 2020, and cancellation of most of off-line major events.

Entertainment Content Services

Revenue from our entertainment content services decreased by 74.7% to RMB353.3 million in 2020 from RMB1,396.8 million in 2019. Such decrease was mainly due to delay in some projects which we partially participated in its production, promotion & distribution, and which were not released as scheduled in 2020, as overshadowed by COVID-19 pandemic.

Management Discussion and Analysis

Advertising Services and Others

Revenue from our advertising services and others decreased by 54.9% to RMB255.9 million in 2020 from RMB567.5 million in 2019, which was primarily due to an decrease in the demand of advertising placements from advertisers as affected by COVID-19 pandemic.

Cost of Revenue

Our cost of revenue decreased by 48.6% to RMB828.4 million in 2020 from RMB1,610.4 million in 2019. The decrease in our cost of revenue was mainly due to a decrease in the cost of ticketing system (which was in line with the decrease in the proportion to the revenue of our online movie ticketing service), and the content production cost and content distribution and promotion cost, reflecting the decrease in the revenue of our entertainment content services.

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

	Year ended December 31					
	2020			2019		
	RMB million	% of cost	% of revenue	RMB million	% of cost	% of revenue
Ticketing system cost	144.9	17.5	10.6	537.2	33.4	12.6
Internet infrastructure cost	130.7	15.8	9.6	243.4	15.1	5.7
Content distribution and promotion cost	188.7	22.8	13.8	349.9	21.7	8.2
Content production cost	152.4	18.4	11.2	242.6	15.1	5.7
Amortization of intangible assets	137.8	16.6	10.1	135.9	8.4	3.2
Depreciation of property, plant and equipment	8.4	1.0	0.6	6.9	0.4	0.1
Other expenses	65.5	7.9	4.8	94.5	5.9	2.2
Total	828.4	100.0	60.7	1,610.4	100.0	37.7



Management Discussion and Analysis

Gross Profit and Gross Margin

Our gross profit decreased by RMB2,119.8 million, or 79.8%, to RMB537.3 million in 2020 from RMB2,657.1 million in 2019, and our gross margin was 62.3% and 39.3% in 2019 and 2020, respectively. The decreases in our gross profit and gross margin were mainly due to the substantial decrease in our revenue as affected by COVID-19 pandemic, while the decline in some fixed costs included in our cost were not in proportion to the decrease in our revenue, resulting in the substantial decreases in our gross profit and gross margin.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 68.6% to RMB485.8 million in 2020 from RMB1,547.8 million in 2019, primarily due to the decreased client incentive.

General and Administrative Expenses

Our general and administrative expenses decreased by 21.0% to RMB353.6 million in 2020 from RMB447.8 million in 2019, primarily due to the decrease in employee benefit expenses of the management.

Net Impairment Loss of Financial and Other Assets

We recorded net impairment loss of financial and other assets of RMB418.4 million in 2020, while net impairment loss of financial and other assets of RMB41.9 million was recorded in 2019. We pay attention to the payment status of debtors at all times and trace and learn detailed information about debtors. In case of overdue, we will proactively take commercial and legal actions to collect the overdue accounts. We evaluated the expected credit loss of financial and other assets as at December 31, 2020 on prudent basis, and made provisions for the impairments to reflect the overall blow by the COVID-19 pandemic to the macro economic environment and entertainment industry, as well as the individual negative effects to some of our business partners.

Up to March 29, 2021, RMB354.0 million out of the gross carrying amounts of accounts and other receivables amounting to RMB1,764.8 million were subsequently settled on December 31, 2020, among which RMB20.2 million of receivables had previously been provided for under our expected credit loss assessment as part of the aforementioned RMB418.4 million impairment loss in 2020.

Other Income and Other (Losses)/Gains

We had other income and net other loss of RMB116.3 million in 2020, compared to other income and other gains of RMB56.3 million in 2019, primarily due to the increase in the government subsidies received in 2020 compared with 2019.

Operating (Loss)/Profit

As a result of the foregoing, our operating loss was RMB604.2 million in 2020, compared to an operating profit of RMB675.9 million in 2019.

Management Discussion and Analysis



Finance Costs, Net

Our net finance costs increased by 58.7% to RMB21.9 million in 2020 from RMB13.8 million in 2019, primarily due to the decrease of finance gains of interest from bank deposits.

Income Tax Expenses

We had income tax expenses of RMB17.7 million in 2020, compared to the income tax expenses of RMB202.6 million in 2019. This was primarily due to the decline in overall profitability.

(Loss)/Profit for the Year

As a result of the foregoing, our loss for the year was RMB646.3 million in 2020, compared to profit for the year of RMB458.9 million in 2019.

Non-IFRS Financial Measure

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use (LBITDA)/EBITDA/adjusted (LBITDA)/EBITDA and adjusted net (loss)/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 (LBITDA)/EBITDA/adjusted (LBITDA)/EBITDA and adjusted net (loss)/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.

Management Discussion and Analysis

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

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

	Year ended December 31,	
	2020 RMB million	2019 RMB million
Reconciliation of net (loss)/profit to adjusted net (loss)/profit		
Net (loss)/profit for the year	(646.3)	458.9
Add:		
Share-based compensation	72.6	103.2
Net loss on convertible bonds classified as financial liabilities at fair value through profit or loss	–	1.6
Listing expenses	–	3.3
Amortization of intangible assets resulting from business combinations	138.1	136.2
Adjusted net (loss)/profit^(Note)	(435.6)	703.2

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

Management Discussion and Analysis

	Year ended December 31,	
	2020 RMB million	2019 RMB million
Reconciliation of operating (loss)/profit to (LBITDA)/EBITDA and adjusted (LBITDA)/EBITDA		
Operating (loss)/profit for the year	(604.2)	675.9
Add:		
Depreciation of property, plant and equipment	16.5	14.4
Amortization of intangible assets	141.1	137.7
Depreciation of right-of-use assets	13.7	11.9
(LBITDA)/EBITDA^(Note)	(432.9)	839.9
Add:		
Share-based compensation	72.6	103.2
Listing expenses	–	3.3
Adjusted (LBITDA)/EBITDA	(360.3)	946.4

OTHER FINANCIAL DATA AND INFORMATION

Capital Structure

The Company continued to maintain a healthy and sound financial position. Our total assets decreased from RMB11,351.2 million as of December 31, 2019 to RMB10,608.5 million as of December 31, 2020, whilst our total liabilities decreased from RMB3,063.2 million as of December 31, 2019 to RMB2,985.5 million as of December 31, 2020. Our liabilities-to-assets ratio increased from 27.0% in 2019 to 28.1% in 2020.

As of December 31, 2020, we pledged bank deposits of RMB154.0 million as securities for bank borrowings.

Note: We defined (LBITDA)/EBITDA as operating (loss)/profit for the year adjusted for depreciation and amortization expenses. We add back share-based compensation and listing expenses to EBITDA to derive adjusted EBITDA.

Management Discussion and Analysis

Liquidity, Financial Resources, and Gearing

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

As of December 31, 2020, we had cash and cash equivalents and other forms of bank deposits of RMB2,294.1 million, which were predominantly denominated in RMB and US dollars. Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash generated from operating activities, other funds raised from the capital markets from time to time and the net proceeds received from the global offering of the Company.

As of December 31, 2020, our total borrowings were approximately RMB1,013.5 million, which were all bank borrowings denominated in RMB. The following table sets forth further details of our banking borrowings as of December 31, 2020:

	RMB million	Interest rate
Secured	340.0	2.84%~2.90%
Guaranteed	673.5	3.50%~5.85%
Total	1,013.5	N/A

As of December 31, 2020, we had unutilized banking facilities of RMB58 million.

As of December 31, 2020, 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, net of cash and cash equivalent, restricted bank deposits and term deposit with original maturity over three months. Total capital is calculated as "equity" as shown in the consolidated statement of financial position. As at December 31, 2020 and 2019, the Group has a net cash position.

Capital Expenditure

Our capital expenditures primarily included purchase of equipment and intangible assets. Our capital expenditures decreased by 43.8% to RMB12.6 million in 2020 from RMB22.4 million in 2019. We plan to fund our planned capital expenditures using cash generated from operations and the net proceeds from the global offering.

Management Discussion and Analysis



Material Acquisitions and Future Plans for Major Investments

As of December 31, 2020, the Group did not have any plans for major investments and capital assets. During the 12 months ended December 31, 2020, we did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Significant 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.

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 2020.

Employees, Remuneration Policy and Share Option

As of December 31, 2020, we had 879 full-time employees, 877 of whom were based in mainland China, primarily at our headquarters in Beijing, with the remainder in Shanghai and various other cities in China.

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

Reference is made to the announcement of the Company dated January 19, 2021, in relation to the granting of a total of 15,066,000 options (the "Options") to Mr. Zheng Zhihao (鄭志昊), the grant of Options will be tabled at the AGM for approval according to Rule 17.03(4) of the Listing Rules, the exercise of the Options is subject to approval at the AGM and the vesting schedule that only up to a maximum of 25% of the total Options shall be vested in each of 2022, 2023, 2024 and 2025, as of the date of this Annual Report, no Options has been exercised.

Profiles of Directors and Senior Management

EXECUTIVE DIRECTOR

Mr. Zheng Zhihao (鄭志昊), aged 51, is an executive Director and the chief executive officer of the Company and has held directorships and senior management positions at various subsidiaries within the Group, including as a director and the general manager of Tianjin Maoyan Weying since April 2016, and as an executive director, the legal representative as well as the manager of Maoyan Technology since February 2018.

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

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

NON-EXECUTIVE DIRECTORS

Mr. Wang Changtian (王長田), aged 55, is a non-executive Director and the Chairman of the Company and the chairman of Tianjin Maoyan Weying since July 2016. Mr. Wang also holds directorships and senior management positions in companies across various industries. In the media industry, Mr. Wang has served as the chairman and general manager of Enlight Media since April 2000, and held directorships at its various subsidiaries, including Beijing Enlight Pictures Co., Ltd. (北京光線影業有限公司) ("Enlight Pictures") and Horgos Colorful (Enlight) Pictures Co., Ltd. (霍爾果斯彩條屋影業有限公司) ("Colorful Pictures") since October 2004 and July 2015, respectively; and in the finance sector, Mr. Wang has served as a director of China Renaissance Securities (China) Co., Ltd. (華興證券有限公司) and Beijing Zhongguancun Bank Co., Ltd. (北京中關村銀行股份有限公司) since August 2016 and June 2017, respectively.

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

Ms. Li Xiaoping (李曉萍), aged 46, is a non-executive Director of the Company and a director of Tianjin Maoyan Weying since September 2017. Ms. Li also holds directorships and senior management positions at various companies in the media industry where she has served as a deputy general manager of Enlight Media since October 1999 and as its director since July 2009, as the president of Enlight Pictures since March 2011, and also as a director of various other subsidiaries of Enlight Media including Beijing Chuanmei Zhiguang Advertising Co., Ltd. (北京傳媒之光廣告有限公司) and Beijing Enlight Yishi Internet Technology Co., Ltd. (北京光線易視網絡科技有限公司). Ms. Li also holds directorships at Beijing Tianshen Hudong Technology Co., Ltd. (北京天神互動科技有限公司) since July 2013 and Beijing Duomi Online Technology Co., Ltd. (北京多米在線科技股份有限公司) since May 2016.

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

Profiles of Directors and Senior Management



Ms. Wang Jian (王犛), aged 49, is a non-executive Director of the Company and holds directorships and senior management positions at various companies within the Group, including as a director of Tianjin Maoyan Weying since July 2016, as an executive director and the manager of Maoyan Pictures since August 2016, and as an executive director, the general manager as well as the legal representative of Beijing Maoyan since August 2016. Currently, Ms. Wang also holds directorships and senior management positions at various subsidiaries of Enlight Media, including as a director and the general manager of Shannan Enlight Pictures Co., Ltd. (山南光線影業有限公司) since August 2017. Ms. Wang has also served as a director at Enlight Holdings since January 2009.

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

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

Mr. Cheng Wu (程武), aged 46, was appointed as a non-executive Director of the Company on June 9, 2020. Mr. Cheng has been serving as a vice president of Tencent since March 2013 and as the chief executive officer of Tencent Pictures since September 2015. He is responsible for strategic planning and day-to-day operation of Tencent Pictures, Tencent Animation & Comic and Tencent Esports. In addition, he is also responsible for the management of Tencent's Marketing and Public Relations Department. Mr. Cheng serves as an executive director and the chief executive officer of China Literature Limited (閱文集團), the shares of which are listed on the Main Board of the Stock Exchange with stock code 772 since April 2020. He also serves as an executive director and vice chairman of Huayi Tencent Entertainment Company Limited (華誼騰訊娛樂有限公司), the shares of which are listed on the Main Board of the Stock Exchange with stock code 419 since 2018.

Mr. Cheng graduated from Tsinghua University with a bachelor of science degree in physics, and gained an EMBA from the Olin Business School at Washington University.

Mr. Chen Shaohui (陳少暉), aged 39, is a non-executive Director of the Company and a director of Tianjin Maoyan Weying since March 2017.

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

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

Profiles of Directors and Senior Management

Mr. Lin Ning (林寧), aged 47, is a non-executive Director of the Company and a director of Tianjin Maoyan Weying since September 2017. Mr. Lin has served as the chairman and chief executive officer of Beijing Weying Shidai since May 2014, and also the chairman of its subsidiaries, including Beijing Weisai Shidai Sports Technology Co., Ltd. (北京微賽時代體育科技有限公司) and the executive director of Horgos Yuyue Media Co., Ltd. (霍爾果斯娛躍文化傳播有限公司) since November 2015 and March 2017, respectively.

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

Mr. Tang Lichun, Troy (唐立淳), aged 35, is a non-executive Director of the Company since January 15, 2020. Mr. Tang has over nine years of experience in media technology and investment. Mr. Tang has served as a director of FountainVest Partners Asia Limited since May 2012. Mr. Tang worked at PricewaterhouseCoopers from October 2007 to April 2012 and served as a manager.

Mr. Tang graduated from Shanghai Jiao Tong University (上海交通大學) in August 2007 with a bachelor degree in business administration.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Hua (汪華), aged 43, has been appointed as an independent non-executive Director of the Company on August 22, 2018, effective in January 2019.

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

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

Profiles of Directors and Senior Management



Mr. Chan Charles Sheung Wai (陳尚偉), aged 67, has been appointed as an independent non-executive Director of the Company on August 22, 2018, effective in January 2019.

Mr. Chan holds directorships in various companies. Since July 2012, Mr. Chan has served as an independent non-executive director of SRE Group Ltd. (上置集團), a company listed on the Stock Exchange (Stock Code: 1207). Since January 31, 2021, Mr. Chan has served as an independent non-executive director of Sun Art Retail Group Limited (高鑫零售有限公司), a company listed on the Stock Exchange (Stock Code: 6808). Since June 2019, Mr. Chan has served as an independent non-executive director of Hansoh Pharmaceutical Group Company Limited (翰森製藥集團有限公司), a company listed on the Stock Exchange (Stock Code: 3692). Between September 2013 and April 2020, Mr. Chan served as an independent non-executive director of Changyou.com Ltd. (暢遊有限公司), a company listed on the NASDAQ (Stock Code: CYOU). Between May 2016 and May 2019, Mr. Chan served as an independent non-executive director of CITIC Securities Ltd. (中信證券股份有限公司), a company listed on the Stock Exchange (Stock Code: 6030) and Shanghai Stock Exchange (Stock Code: 600030).

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

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

Mr. Yin Hong (尹紅, alias: Yin Hong (尹鴻)), aged 59, has been appointed as an independent non-executive Director of the Company on October 28, 2020. Mr. Yin has been serving as a professor of Tsinghua University (清華大學) since 1999. Between December 1984 and August 1986, Mr. Yin served as a teaching assistant of Sichuan University (四川大學). Between September 1989 and August 1999, Mr. Yin served in Beijing Normal University (北京師範大學) with his last position as a professor. Mr. Yin is a well-known film theorist, critic, and planner in China. He has served as a consultant, producer, and art director for a number of film and television works, and concurrently assumes many important positions within several national associations and societies including the vice chairman of the China Literature and Art Critics Association (中國文藝評論家協會) and the vice chairman of the China Film Association (中國電影家協會).

Mr. Yin obtained the bachelor degree in Chinese language and the master degree in modern Chinese literature from Sichuan University (四川大學) in 1982 and 1984, respectively, and the doctoral degree in modern Chinese literature from Beijing Normal University (北京師範大學) in 1989. Mr. Yin received the Special Government Allowances of the State Council (國務院政府特殊津貼) from the State Council of the PRC in 2010 and was awarded the Top Ten Film Workers of Beijing (北京十佳電影工作者) by departments including Beijing Municipal Human Resources and Social Security Bureau (北京市人力資源和社會保障局), Beijing Federation of Literary and Art Circles (北京市文學藝術界聯合會) and Beijing Television Artists Association (北京電視藝術家協會) in 2013.

Profiles of Directors and Senior Management

Ms. Liu Lin (劉琳), aged 45, has been appointed as an independent non-executive Director of the Company on June 9, 2020. Between March 2016 and May 2020, Ms. Liu served as a senior vice president of Meituan, a company listed on the Stock Exchange (Stock Code: 3690). Between April 2003 and March 2016, Ms. Liu served as the general manager of the human resources department and the general manager of management and consulting department under the president office of Tencent.

Ms. Liu obtained a master degree in economics from Nankai University in December 2006.

CHANGE OF INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE

Save as disclosed in this Annual Report, for the year ended December 31, 2020, the Company does not have any information required for disclosure in accordance with Rule 13.51B(1) of the Listing Rules.

SENIOR MANAGEMENT

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

Mr. Gu Sibin (顧思斌), aged 38, is the president of the Group and the president of Tianjin Maoyan Weying since October 2017.

Mr. Gu has various years of experience in the Internet and media industries. Between July 2004 to March 2014, he worked at Tencent and gained experience in, among others, internet value-added services, membership system, e-commerce, and virtual community building. Between April 2014 and September 2014, Mr. Gu served as a vice president at JD.com Inc., (京東集團) a company listed on the NASDAQ (Stock Code: JD) and the Stock Exchange (Stock Code: 9618) and was responsible for overseeing its wireless business. Between September 2014 and January 2017, Mr. Gu served as the chief product officer at Youku Tudou Inc. (優酷土豆股份有限公司), where he was responsible for product research and development, user operations and paid memberships.

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

JOINT COMPANY SECRETARIES

Ms. Zheng Xia (鄭霞) was appointed as a Joint Company Secretary of the Company in August 2018. Ms. Zheng has served as the legal director and other positions since joining the Company in May 2018. Ms. Zheng has more than ten years of experience as a lawyer.

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

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

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

Directors' Report



The Board presents the directors' report together with the audited consolidated financial statements of our Group for the year ended December 31, 2020.

PRINCIPAL ACTIVITIES

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

RESULTS OF OPERATIONS

The results of our Group for the year ended December 31, 2020 are set out in the consolidated statement of comprehensive income on pages 89 to 90 of this Annual Report.

FINANCIAL SUMMARY

The financial summary of our Group between 2015 and 2020 is set out in the section headed "Financial Summary" on page 210 in this Annual Report.

BUSINESS REVIEW

The entire industry was seriously affected by the outbreak of the COVID-19, and the results of the Group were also hard hit. However, since the successive resumption of operation in industry on July 20, 2020, the results of the Group have gradually gotten back on track. As a leading Internet innovation and comprehensive entertainment service platform in the PRC, we will continue to grow firmly, aiming to provide higher-quality service in the industry and contribute to the success production of more quality contents.

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

Principal risks and uncertainties

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

Important events occurred since the end of the financial year

There have been no other significant events affecting the Company from December 31, 2020 up to the date of this annual report.



Directors' Report

Future development

Looking into the future, we will continue to cultivate in the comprehensive entertainment industry. In accordance with our integrated strategy of Internet Technology + Comprehensive Entertainment, we will further develop the capabilities of our five platforms, namely, our comprehensive entertainment ticketing platform, product platform, data platform, marketing platform, and financing platform, so as to shore up our business synergies and accumulation of value, which in return will generate more value for the entertainment industry. In the meantime, we will also continue to expand and increase our business scenarios and capabilities, based on the core requirements of our industry, development of the Company, challenges, and commercial possibilities.

For more details of the future development of the Group, please refer to “CEO’s Statement” of this Annual Report.

Environmental policies and performance

We are not subject to significant environmental risks. During the year ended December 31, 2020 and up to the date of this Annual Report, we were not been subject to any fines or other penalties due to non-compliance with environmental regulations.

For more details of the environment policies and performance of the Company, please refer to the section headed the environmental, social responsibilities and governance report.

Compliance with the relevant laws and regulations

Our Group is subject to applicable laws and regulations in the PRC in respect of its business operations, including but not limited to those relating to value-added telecommunications services, information security and privacy protection, film distribution, radio and television programs, and Internet advertisement. During the year ended December 31, 2020 and up to the date of this Annual Report, we had not been and were not involved in any non-compliance incidents that led to fines, enforcement action or other penalties that could, individually or in the aggregate, have a material adverse impact on our business, financial condition or results of operations, and had complied with all relevant PRC laws and regulations that are applicable to us in all material respects.

Relationships with stakeholders

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

Employees

As of December 31, 2020, we had 879 full-time employees, 877 of whom were based in China, primarily at our headquarters in Beijing, with the remainder in Shanghai and various other cities in China.

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

Customers

Our customers primarily include cinemas, entertainment content producers and distributors, and advertisers. Pursuant to the ticket sales agreements with cinemas, we typically act as a non-exclusive online ticketing service provider for tickets sold outside of cinemas.

Suppliers

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

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended December 31, 2020, the percentage of the total revenue attributable to the five largest customers was approximately 21% of the total revenue of the Group, whereas the percentage of the total revenue attributable to the top customer was approximately 7% of the total revenue of the Group. In addition, for the year ended December 31, 2020, the percentage of the total cost attributable to the five largest suppliers was approximately 42% of the total cost of the Group, whereas the percentage of the total cost attributable to the largest supplier was approximately 14% of the total cost of the Group. To the knowledge of the directors, during the Reporting Period, save for (i) Meituan, a shareholder of the Company holding 7.28% of the shares of the Company as of December 31, 2020, is the largest supplier of the Group and (ii) Tencent, also a substantial shareholder of the Company, is a substantial shareholder of Meituan, none of the other directors (including those who resigned during the Reporting Period) and their associates or any shareholders holding more than 5% of the issued shares of the Company have any rights or interests in our five largest customers or suppliers.

PROPERTY AND EQUIPMENT

Details of the movements in property and equipment of the Group during the year ended December 31, 2020 are set out in Note 14 to the audited consolidated financial statements.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended December 31, 2020 (2019: Nil).

CLOSURES OF THE REGISTER OF MEMBERS

The Company will hold the AGM on Monday, June 28, 2021. The register of members of the Company will be closed from Wednesday, June 23, 2021 to Monday, June 28, 2021, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend and vote at the AGM, during which period no share transfers will be registered. To be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, June 22, 2021.



Directors' Report

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 37 to the audited consolidated financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year ended December 31, 2020 are set out in Note 29 to the audited consolidated financial statements.

RESERVES

Details of the movement in the reserves of the Group and the Company during the year ended December 31, 2020 are set out in Notes 30 and 36 respectively to the audited consolidated financial statements.

DISTRIBUTABLE RESERVES

Details of the Company's reserves available for distribution to the Shareholders, calculated in accordance with the provisions of the Companies Law, as at December 31, 2020, are set out in Note 36 to the audited consolidated financial statements.

BORROWINGS

Details of the borrowings of the Group are set out in the paragraph headed "Liquidity, Financial Resources and Gearing" in the section headed "Management Discussion and Analysis" in this Annual Report and Note 26 to the audited consolidated financial statements.

ISSUE OF DEBENTURE

The Group has not publicly issued any debentures during the year ended December 31, 2020.

TAX RELIEF AND EXEMPTION

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2020.

PRE-EMPTIVE RIGHTS

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

CHARITABLE DONATIONS

During the year ended December 31, 2020, the Group did not make any charitable and other donations.

USE OF PROCEEDS

The Shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date with net proceeds received by the Company from the global offering in the amount of approximately HK\$1,839.3 million after deducting underwriting commissions and all related expenses. The following table sets forth the Company's use of the proceeds from the listing and the planned timetable as of December 31, 2020.

Intended use of net proceeds	Allocation of net proceeds	Amount of net proceeds utilized as of	Balance of net proceeds as of	Expected timeline for balance of net proceeds
		December 31, 2020	December 31, 2020	
		HK\$ in millions		
Funding for improving integrated platform capabilities	551.8	223.7	328.1	By December 31, 2022
Research and development and technical infrastructure	551.8	269.9	281.9	By December 31, 2022
Funding potential investments and acquisitions	551.8	401.4	150.4	By December 31, 2022
Working capital and general corporate purposes	183.9	183.9	–	–

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.



Directors' Report

DIRECTORS

The Directors during the Reporting Period and as of the date of this Annual Report are:

Executive Director

Mr. Zheng Zhihao (*Chief Executive Officer*)

Non-executive Directors

Mr. Wang Changtian (*Chairman*)

Ms. Li Xiaoping

Ms. Wang Jian

Mr. Zhan Weibiao (resigned on June 9, 2020)

Mr. Cheng Wu (appointed on June 9, 2020)

Mr. Chen Shaohui

Mr. Lin Ning

Mr. Tang Lichun, Troy (appointed on January 15, 2020)

Independent Non-executive Directors

Mr. Wang Hua

Mr. Chan Charles Sheung Wai

Mr. Ma Dong (resigned on October 28, 2020)

Mr. Yin Hong (appointed on October 28, 2020)

Mr. Luo Zhenyu (resigned on June 9, 2020)

Ms. Liu Lin (appointed on June 9, 2020)

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

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

In accordance with Article 113 of the Articles of Association, Mr. Yin Hong shall retire at the AGM and, being eligible, has offered himself for re-election.

DIRECTORS' SERVICE CONTRACTS

Our executive Director has entered into a service contract with us pursuant to which he agreed to act as an executive Director for an initial term of three years with effect from January 23, 2019 and until the third annual general meeting of our Company since the Listing Date (whichever ends earlier). Either party has the right to give not less than three months' written notice to terminate the agreement.

Each of the non-executive Directors and independent non-executive Directors (excluding Mr. Tang Lichun, Troy, Mr. Cheng Wu, Ms. Liu Lin and Mr. Yin Hong) has entered into an appointment letter with the Company. The initial term for their appointment shall be three years from January 23, 2019 or until the third annual general meeting of the Company since the Listing Date, whichever ends earlier, or until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

Mr. Tang Lichun, Troy, has entered into an appointment letter with the Company on January 15, 2020; each of Mr. Cheng Wu and Ms. Liu Lin has entered into an appointment letter with the Company on June 9, 2020; and Mr. Yin Hong has entered into an appointment letter with the Company on October 28, 2020. The initial term for their appointment shall be three years from the date of their appointment or until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in Note 34 to the Consolidated Financial Statements and in the section headed "Connected Transactions" of a Directors' Report in this Annual Report, no Director nor an entity connected with a Director has or had material beneficial interest, directly or indirectly in any transaction and arrangement or contract of significant subsisting as at December 31, 2020, or at any time during the year ended December 31, 2020.



Directors' Report

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As of December 31, 2020, Mr. Wang Changtian, our Chairman and non-executive Director, (i) indirectly held approximately 24.46% and 17.03% interests in our Company's issued share capital through Vibrant Wide Limited (a wholly owned subsidiary of Mr. Wang) and Hong Kong Pictures International Limited (a wholly owned subsidiary of Enlight Media), respectively; and (ii) directly held 95% interests in Enlight Holdings (in which the remaining 5% is held by Ms. Wang Jian, being Mr. Wang's sister), which owned approximately 42.71% interests in Enlight Media.

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

Saved as disclosed above, as of December 31, 2020, none of the Directors nor their respective close associates had interests in businesses, which compete or are likely to compete, either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to Rule 8.10(2) of the Listing Rules.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended December 31, 2020.

REMUNERATION OF DIRECTORS

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

Details of the remuneration of the Directors and the five highest paid individuals during the year ended December 31, 2020 are set out in Notes 9 and 38 to the audited consolidated financial statements respectively.

During the year ended December 31, 2020, none of the Directors had waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

PERMITTED INDEMNITY PROVISION

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

EQUITY-LINKED AGREEMENT

Except for the employee incentive schemes as set out in this Annual Report, no equity-linked agreements were entered into by the Group, or existed during the year ended December 31, 2020.

EMPLOYEE INCENTIVE SCHEMES

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

The total number of Shares issued or issuable pursuant to the ESOP Plan shall not be more than 117,033,705 Shares, representing approximately 10.3% of the total issued share capital of the Company as at the date of this Annual Report.

PRE-IPO SHARE OPTION SCHEME

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

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

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

The maximum number of Shares that may be issued upon exercise of all options granted and to be granted under the Pre-IPO Share Option Scheme shall be no more than 42,544,600 (which have been reserved by the Company), representing approximately 3.7% of the total issued share capital of the Company as at the date of this Annual Report.

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

Directors' Report

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

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

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

Movements of the options granted by the Company pursuant to the Pre-IPO Share Option Scheme during the Reporting Period are as follows:

Category	Exercise price per Share (HK\$)	Date of grant	Exercise period	Closing price immediately prior to grant	Outstanding as of January 1, 2020	Granted during the period	Exercised during the period	Weighted average closing price			Outstanding as of December 31, 2020	Vesting Period (note)
								immediately prior to exercise (HK\$)	Lapsed during the period	Cancelled during the period		
	0.1009	2016/8/1	Eight years to from the date of grant	NA	10,347,445	0	5,889,435	13.3973	901	1,154,644	3,302,465	1(a)
Employee	14.8000	2018/2/1	Eight years to from the date of grant	NA	15,905,750	0	54,276	15.3305	359,485	5,753,483	9,738,506	1(b)
		2018/4/11	to grant	NA	7,710,890	0	-	N/A	-	-	7,710,890	1(a)
		2018/6/1										
Total					33,964,085		5,943,711	N/A	360,386	6,908,127	20,751,861	

Note:

1. The options granted under the scheme are subject to a vesting schedule and can be exercised in the following manner:

a. Category A

Vesting Date	Percentage that can be exercised
First vesting date	Up to 25% of the options granted
First anniversary of first vesting date	Up to 50% of the options granted
Second anniversary of first vesting date	Up to 75% of the options granted
Third anniversary of first vesting date	Up to all of the options granted

b. Category B

Vesting Date	Percentage that can be exercised
First vesting date	Up to 50% of the share options granted
First anniversary of first vesting date	Up to 75% of the share options granted
Second anniversary of first vesting date	Up to all of the share options granted



Directors' Report

POST-IPO SHARE OPTION SCHEME

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

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

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

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

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

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



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

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

Movements of the options granted by the Company pursuant to the Post-IPO Share Option Scheme during the Reporting Period are as follows:

Category	Exercise price per Share (HK\$)	Date of grant	Exercise Period	Closing price immediately prior to grant (HK\$)	Outstanding as of January 1, 2020	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as of December 31, 2020	Vesting Period (note)
Employee	16.2000	2019/5/2	Ten years from the date of grant	16.1000	100,000	0	0	0	50,000	50,000	1(b)
	14.7600	2019/5/10	Ten years from the date of grant	14.1000	4,048,850 331,570	0 0	0 0	46,265 9,638	1,057,797 28,917	2,944,788 293,015	1(b) 1(a)
	11.4360	2019/11/1	Ten years from the date of grant	11.3200	480,200	0	0	0	250,000	230,200	1(b)
	10.5000	2020/4/29	Ten years from the date of grant	10.3200	0 0	2,372,822 275,000	0 0	0 0	340,000 0	2,032,822 275,000	1(a) 1(b)
Total					4,960,620	2,647,822	0	55,903	1,726,714	5,825,825	

Note:

- Please refer to note under sub-section headed “Pre-IPO Share Option Scheme” above.



Directors' Report

RSU SCHEME

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

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

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

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

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

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

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

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

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

The award shares granted by the Company for the year ended December 31, 2020 are as follows:

Category	Date of grant	Total amount of award shares granted	Closing price	Outstanding as of January 1, 2020	Granted during the period	Vested during the period	Lapsed during the period	Cancelled during the period	Outstanding as of December 31, 2020
			immediately prior to grant (HK\$)						
Employee	2019/5/2	655,425	16.1000	655,425	0	0	0	0	655,425
	2019/10/8	3,336,336	12.0200	3,336,336	0	767,356	0	0	2,568,980
	2019/11/1	729,200	11.3200	729,200	0	0	0	100,000	629,200
	2020/4/29	8,608,779	10.3200	0	8,608,779	0	0	648,368	7,960,411
Total				4,720,961	8,608,779	767,356	0	748,368	11,814,016

Directors' Report

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

As at December 31, 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (b) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Directors/ Chief Executive	Capacity	Nature of Interests	No. of Shares	Approximate percentage of the issued share capital of the Company (%)
Mr. Zheng Zhihao ¹	Interest in controlled corporations	Long Position	19,277,225	1.70
	Beneficial owner	Long Position	4,872,539	0.43
Mr. Wang Changtian ²	Interest in controlled corporations	Long Position	312,722,773	27.52
		Short Position	158,743,072	13.97
Ms. Wang Jian	Beneficial owner	Long Position	450,000	0.04

Notes:

- As at December 31, 2020, Rhythm Brilliant Limited directly held 19,277,225 Shares in our Company. Rhythm Brilliant Limited is a wholly-owned subsidiary of Mr. Zheng Zhihao. Therefore, Mr. Zheng Zhihao is deemed to be interested in the 19,277,225 Shares held by Rhythm Brilliant Limited for purpose of Part XV of the SFO.
- As at December 31, 2020, Vibrant Wide Limited and Hong Kong Pictures International Limited directly held 277,979,625 Shares (among which 158,743,072 Shares were provided as security to a person other than a qualified lender) and 193,486,220 Shares in our Company, respectively. Vibrant Wide Limited is owned by Mr. Wang Changtian as to 100% of its equity interests. Hong Kong Pictures International Limited is a wholly-owned subsidiary of Enlight Media, which is owned by Enlight Holdings as to approximately 42.71% of its equity interests, which in turn is owned by Mr. Wang Changtian as to 95% of its equity interests. Therefore, Mr. Wang Changtian is deemed to be interested in the 471,465,845 Shares held by Vibrant Wide Limited and Hong Kong Pictures International Limited for purpose of Part XV of the SFO.

Save as disclosed above, as at December 31, 2020, neither the Directors nor chief executive of the Company (including their spouses and children under 18 years of age) had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at December 31, 2020, so far as the Directors or the chief executive of the Company were aware, the Substantial Shareholders, other than the Directors or chief executive of the Company, who had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

Name of Substantial Shareholders	Capacity	Nature of Interest	No. of Shares	Approximate percentage of the issued share capital of the Company (%)
Vibrant Wide Limited	Beneficial owner	Long Position	119,236,553	10.49
		Short Position	158,743,072	13.97
Hong Kong Pictures International Limited	Beneficial owner	Long position	193,486,220	17.03
Inspired Elite Investments Limited ¹	Beneficial owner	Long position	82,693,975	7.28
Meituan ¹	Interest in a controlled corporation	Long position	82,693,975	7.28
Crown Holdings Asia Limited ¹	Interest in a controlled corporation	Long position	82,693,975	7.28
Songtao Limited ¹	Interest in a controlled corporation	Long position	82,693,975	7.28
TMF (Cayman) Ltd. ¹	Trustee	Long position	82,693,975	7.28
Wang Xing ¹	Interest in a controlled corporation	Long position	82,693,975	7.28
Image Flag Investment (HK) Limited ²	Beneficial owner	Long position	157,169,260	13.83
Tencent ²	Interest in a controlled corporation	Long position	157,169,260	13.83
Weying (BVI) Limited	Beneficial owner	Long position	110,198,429	9.70
Interstellar Investment Ltd. ³	Beneficial owner	Long position	66,127,317	5.82
NottingHill Investment Ltd. ³	Interest in a controlled corporation	Long position	66,127,317	5.82
FountainVest China Capital Partners Fund III, L.P. ³	Interest in a controlled corporation	Long position	66,127,317	5.82
FountainVest China Capital Partners GP3 Ltd. ³	Interest in a controlled corporation	Long position	66,127,317	5.82



Directors' Report

Notes:

1. Inspired Elite Investments Limited is wholly-owned by Meituan, which is owned as to 39.18% by Crown Holdings Asia Limited, which is in turn wholly-owned by Songtao Limited. Songtao Limited is in turn wholly-owned by TMF (Cayman) Ltd. and in turn wholly-owned by Mr. WANG Xing. Therefore, Meituan, Crown Holdings Asia Limited, Songtao Limited, TMF (Cayman) Ltd. and Mr. WANG Xing are deemed to be interested in the 82,693,975 shares held by Inspired Elite Investment Limited for purpose of Part XV of the SFO.
2. Image Flag Investment (HK) Limited is wholly-owned by Tencent. Therefore, Tencent is deemed to be interested in the 157,169,260 shares held by Image Flag Investment (HK) Limited for purpose of Part XV of the SFO.
3. Interstellar Investment Ltd. is wholly-owned by NottingHill Investment Ltd., which is owned as to 77.34% by FountainVest China Capital Partners Fund III, L.P., which is in turn wholly-owned by FountainVest China Capital Partners GP3 Ltd. Hence, NottingHill Investment Ltd., FountainVest China Capital Partners Fund III, L.P. and FountainVest China Capital Partners GP3 Ltd. are deemed to be interested in the Shares held by Interstellar Investment Ltd.

Save as disclosed above, as at December 31, 2020, so far as the Directors were aware, no other persons (other than the Directors or chief executive) had any interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Employee Incentive Scheme" above, at no time during the year ended December 31, 2020 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries or any of its holding companies or any of subsidiaries of its holding companies a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

So far as the Directors or the chief executive of the Company were aware, the Company did not have any controlling shareholder for the year ended December 31, 2020.

EMPLOYEE RETIREMENT BENEFITS

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

SUFFICIENCY OF PUBLIC FLOAT

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

CONNECTED TRANSACTIONS

Details of our Group's continuing connected transactions during the Reporting Period are set out as follows:

I. Continuing Connected Transactions with the Enlight Media Group

Non-Exempt Continuing Connected Transactions

As Enlight Media is an associate of Mr. Wang Changtian who is a non-executive Director and a substantial Shareholder of the Company, the transactions with Enlight Media constitute connected transactions of the Company.

1. Enlight Movie and TV series Production Cooperation Framework Agreement

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

- our Group and the Enlight Media Group will enter into an investment agreement with third party producers of the same movie or TV series; and
- either party (as a co-producer) will enter into an investment agreement with the other party (as a lead producer) to purchase a certain percentage of investment amount.

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

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

The annual cap for the connected transaction for the year ended December 31, 2020 was RMB185.0 million, and the actual transaction amount for the year ended December 31, 2020 was approximately RMB16.0 million.



Directors' Report

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

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

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

- Movies and TV series promotion services: we will plan and coordinate various marketing and promotional activities to optimize the performance of movies and TV series, including but not limited to, conducting marketing and publicity campaigns as well as organizing fans gatherings and road shows.
- Movies and TV series distribution services: we will coordinate the distribution of marketing materials to cinemas and TV stations, configure marketing strategies and release plans, monitor box office performance and market feedback of movies and TV series.

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

The annual cap for the connected transaction for the year ended December 31, 2020 was RMB290.0 million, and the actual transaction amount for the year ended December 31, 2020 was approximately RMB31.1 million.

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

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

The annual cap for the connected transaction for the year ended December 31, 2020 was RMB80.0 million, and the actual transaction amount for the year ended December 31, 2020 was approximately RMB0.0 million.

3. Enlight Business Collaboration and Services Framework Agreement

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

- **Provision of prepaid card and voucher:** the Enlight Media Group will purchase prepaid card and voucher from us;
- **Provision of advertising services:** we will provide advertising services to the Enlight Media Group, and Enlight Media Group will pay service fees for such advertisement services;
- **Purchase of video display services:** the Enlight Media Group will display movies and videos which are legally owned by us or movies and videos which we have the right to display, on its platform as we request;
- **Purchase of media materials:** our Group will purchase certain media materials (e.g. customized posters, short videos and other promotional materials) from the Enlight Media Group that will be used in our advertising business and publicity activities during the movie and TV series distribution and promotion process; and
- **Purchase of other forms of advertisement resources:** our Group will purchase other forms of advertisement resources to be used in our advertising business and publicity activities from the Enlight Media Group. For example, we started to engage online key opinion leaders or artists managed by the Enlight Media Group to attend our publicity activities since the second half of 2018.

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

The annual cap for the connected transaction of provision by the Group of products and services to Enlight Media Group for the year ended December 31, 2020 was RMB46.5 million, and the actual transaction amount for the year ended December 31, 2020 was approximately RMB2.2 million.

The annual cap for the connected transaction of provision by Enlight Media Group of products and services to the Group for the year ended December 31, 2020 was RMB13.0 million, and the actual transaction amount for the year ended December 31, 2020 was approximately RMB0.02 million.



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II. Continuing Connected Transaction with the Weying Group

Non-exempt continuing connected transaction

As Weying (BVI) Limited is a substantial Shareholder of the Company, the transactions with Weying (BVI) Limited constitute connected transactions of the Company. From June 30, 2020, Weying (BVI) Limited holds less than 10% issued share capital of the Company, thus it ceased to be a substantial shareholder of the Company, and therefore the transactions with Weying (BVI) Limited do not constitute connected transactions of the Company.

4. Weying Business Collaboration and Services Framework Agreement

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

- **Settlement of prepaid card and voucher issued by the Weying Group:** The Weying Group issued a number of prepaid card and voucher to its customers before its business integration with our Group in September 2017. As the result of the business integration, the Weying Group injected Beijing Weige Shidai into our Group and we agreed to provide movie ticketing services to the holders of prepaid card and voucher issued by the Weying Group. The Weying Group will reimburse us for the costs we incur when providing such services;
- **Provision of advertising services:** we will provide online advertising services on our platform and in-movie advertisement placements to the Weying Group, and the Weying Group will, in return, pay for such advertisement placements;
- **Provision of entertainment event ticketing services:** our Group will provide ticketing services to the Weying Group, the event organizer, for service fees; and
- **Provision of sports ticketing access:** our Group will provide sports ticketing access services to the Weying Group for service fees.

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

The annual cap for the connected transaction for the year ended December 31, 2020 was RMB5.0 million, and the actual transaction amount for the six months ended June 30, 2020 was approximately RMB0.1 million.

III. Continuing Connected Transactions with the Represented Tencent Group

Non-exempt continuing connected transactions

As Tencent is a substantial Shareholder of the Company, the transactions with the Represented Tencent Group constitute connected transactions of the Company.

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

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

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

On March 24, 2020, the Board resolved to revise the scope of service under the Tencent Movie and TV series Promotion and Distribution Framework Agreement with Tencent Computer (for itself and on behalf of the Represented Tencent Group) by entering into the Supplemental Agreement. Pursuant to the Supplemental Agreement, the Represented Tencent Group will provide movie and TV series promotion and distribution services to the Company, and service fees will be payable by the Company to the Represented Tencent Group for such service. For details of the supplementary agreement, please refer to the announcement published by the Company on March 24, 2020.

The annual cap for the connected transaction for the provision of movie and TV series promotion and distribution services by the Group to the Represented Tencent Group for the year ended December 31, 2020 was RMB13.2 million, and the actual transaction amount for the year ended December 31, 2020 was approximately RMB11.3 million.

The annual cap for the connected transaction for the provision of movie and TV series promotion and distribution services by the Represented Tencent Group to the Group for the year ended December 31, 2020 was RMB50.0 million, and the actual transaction amount for the year ended December 31, 2020 was approximately RMB0.0 million.



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6. Payment Services Cooperation Framework Agreement

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

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

The annual cap for the connected transaction for the year ended December 31, 2020 was RMB67.0 million, and the actual transaction amount for the year ended December 31, 2020 was approximately RMB21.4 million.

7. Cloud Services and Technical Services Framework Agreement

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

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

The annual cap for the connected transaction for the year ended December 31, 2020 was RMB66.0 million, and the actual transaction amount for the year ended December 31, 2020 was approximately RMB10.1 million.

8. Tencent Business Collaboration and Services Framework Agreement

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

- **Provision of prepaid card and voucher:** the Represented Tencent Group will purchase prepaid card and voucher from us;
- **Licensing of broadcasting rights:** our Group will license the broadcasting rights of entertainment content, including movies, concerts, live shows and other entertainment events, to the Represented Tencent Group for a licensing fee;

- **Provision of advertising services:** we will provide advertising services to the Represented Tencent Group, and the Represented Tencent Group will pay service fees for such advertisement services;
- **Provision of online entertainment event ticketing services:** our Group will provide online ticketing services to the Represented Tencent Group for service fees;
- **Purchase of advertising services:** the Represented Tencent Group will provide advertising services to us for service fees; and
- **Purchase of other forms of advertisement resources:** our Group will purchase other forms of advertisement resources to be used in our advertising business and publicity activities from the Represented Tencent Group. For example, we will engage online KOLs or artists managed by the Represented Tencent Group to attend our publicity activities.

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

The annual cap for the connected transaction of provision by the Group of products and services to the Represented Tencent Group for the year ended December 31, 2020 was RMB160.0 million, and the actual transaction amount for the year ended December 31, 2020 was approximately RMB11.8 million.

The annual cap for the connected transaction of provision by the Represented Tencent Group of products and services to the Group for the year ended December 31, 2020 was RMB24.0 million, and the actual transaction amount for the year ended December 31, 2020 was approximately RMB0.0 million.

9. Tencent Entertainment Content Production Cooperation Framework Agreement

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



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- our Group and the Represented Tencent Group will enter into an investment agreement with third-party producers of the same entertainment content, respectively; and
- either party (as a co-producer) will enter into an investment agreement with the other party (as a lead producer) to purchase a certain percentage of investment amounts.

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

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

The annual cap for the connected transaction for the year ended December 31, 2020 was RMB286.0 million, and the actual transaction amount for the year ended December 31, 2020 was approximately RMB26.6 million.

IV. Continuing Connected Transaction with the Tencent Music Technology

Non-exempt continuing connected transaction

As TME is a subsidiary of Tencent, the transactions contemplated under the Music Copyright Licensing Cooperation Framework Agreement constitute continuing connected transactions of the Company.

10. Music Copyright Licensing Cooperation Framework Agreement

On December 16, 2020, we entered into the Music Copyright Licensing Cooperation Framework Agreement with Tencent Music Technology (for itself and on behalf of members of TME Group), pursuant to which the Group agreed to license its musical compositions, audio recordings, video recordings and movie-like works (well created music videos), including single music and original sound tapes (i.e. theme songs, ending songs, episodes, promotion songs and soundtracks, and the music videos of video and audio works including movies, TV series, online series and online movies, collectively the "OST") (collectively the "Musical Works"), of which the Group has copyrights and related rights, to TME Group, and TME Group shall pay license fees to the Group. Members of TME Group, or its authorized third party, are licensed to promote, use, sub-license and have right to defend the above-mentioned Musical Works.

The initial term of the Music Copyright Licensing Cooperation Framework Agreement with Tencent Music Technology started on December 16, 2020 and will end on December 31, 2022, which can be extended by a written agreement between the two parties.

The annual cap for the connected transaction for the year ended December 31, 2020 was RMB10.0 million, and the actual transaction amount for the year ended December 31, 2020 was approximately RMB4.5 million.

ANNUAL REVIEW BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS AND THE AUDITOR

The independent non-executive Directors reviewed the aforesaid continuing connected transactions, and confirmed that these continuing connected transactions:

- (a) were entered into in the ordinary and usual course of business of the Group;
- (b) were either on normal commercial terms or better; and
- (c) were conducted in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The auditor of the Company performed certain agreed-upon procedures regarding the continuing connected transactions entered into by the Group during the year ended 31 December 2020, in accordance with the Hong Kong Standard on Assurance Engagement 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA, as set out above and confirms that:

- (1) nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board;
- (2) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;
- (3) nothing has come to their attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (4) nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

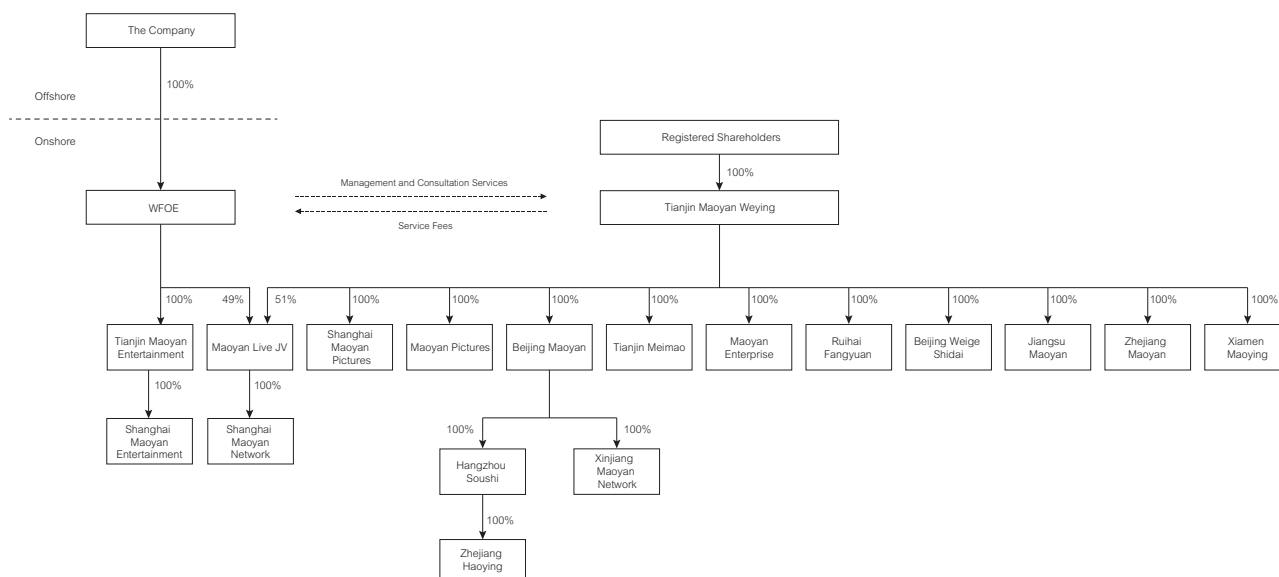
Saved as disclosed in this annual report, none of the related party transactions as disclosed in note 34 to the audited consolidated financial statements constituted as connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules and in compliance with the disclosure requirements under Chapter 14A of the Listing Rules.

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CONTRACTUAL ARRANGEMENTS

Due to regulatory restrictions on foreign ownership in Relevant Businesses in the PRC, we conduct a portion of our business through our Consolidated Affiliated Entities in the PRC. We do not hold any equity interests in our Consolidated Affiliated Entities which are held by Enlight Holdings, Enlight Media, Shanghai Sankuai Technology, Beijing Shiji Weying and Linzhi Lixin and Historical ESOP Platforms. The Contractual Arrangements enable us to (i) receive substantially all of the economic benefit from our Consolidated Affiliated Entities in consideration for the services provided by Maoyan Technology to the Consolidated Affiliated Entities; (ii) exercise effective control over our Consolidated Affiliated Entities; and (iii) hold an exclusive option to purchase all or part of the equity interests in Consolidated Affiliated Entities when and to the extent permitted by PRC laws.

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group stipulated under the Contractual Arrangements as at December 31, 2020:



Notes:

“—————>” denotes direct legal and beneficial ownership in the equity interest.

“- - - - ->” denotes contractual relationship.

- (1) Maoyan Enterprise is an investment holding company which holds, directly or indirectly, minority equity investments, amounted to approximately RMB67.3 million, in certain companies (“Investee Companies”) which engage in businesses subject to foreign investment prohibition or restriction, including value-added telecommunication service, radio and television program production and internet audio-visual programs. The investments are passive and are non-controlling interests that are classified as investments accounted for using the equity method and financial assets at fair value through profit or loss/other comprehensive income. As advised by our PRC legal advisor, foreign investors are either prohibited or restricted from holding equity interest in companies conducting such businesses. The financial results of the Investee Companies are not consolidated into our financial statements and do not form part of our Group, and our minority investment interests in the Investee Companies are immaterial to our financial and operational results.

- (2) On January 13, 2020, Tianjin Maoyan Weying established a wholly-owned subsidiary, Zhejiang Maoyan Pictures Co., Ltd (“Zhejiang Maoyan”), which has become a Consolidated Affiliated Entity since its incorporation. Zhejiang Maoyan will conduct the business of movie production and distribution. It has obtained the requisite license for conducting the business of radio and television program production. Pursuant to the Contractual Arrangements, we will receive its economic benefits and consolidate its financial results into our consolidated financial statements.
- (3) On March 6, 2020, Tianjin Maoyan Entertainment established a wholly-owned subsidiary, Shanghai Maoyan Entertainment Culture Co., Ltd (上海貓眼文化娛樂有限公司) (“Shanghai Maoyan Entertainment”), which has become a Consolidated Affiliated Entity since its incorporation. Shanghai Maoyan Entertainment will conduct the business of commercial performance and entertainment ticketing service. It is in the process of applying for the requisite license for conducting commercial performance. Pursuant to the Contractual Arrangements, we will receive its economic benefits and consolidate its financial results into our consolidated financial statements.
- (4) On March 27, 2020, Tianjin Maoyan Weying established a wholly-owned subsidiary, Jiangsu Maoyan Cultural Media Co., Ltd (“Jiangsu Maoyan”), which has become a Consolidated Affiliated Entity since its incorporation. Jiangsu Maoyan will conduct the business of online movie production and distribution. It has obtained the requisite license for conducting the business of radio and television program production. Pursuant to the Contractual Arrangements, we will receive its economic benefits and consolidate its financial results into our consolidated financial statements.
- (5) On July 29, 2020, Tianjin Maoyan Weying established a wholly-owned subsidiary, Xiamen Maoying Cultural Media Co., Ltd (“Xiamen Maoying”), which has become a Consolidated Affiliated Entity since its incorporation. Xiamen Maoying will conduct the business of movie and TV series investment. Pursuant to the Contractual Arrangements, we will receive its economic benefits and consolidate its financial results into our consolidated financial statements.

SUMMARY OF MAJOR TERMS UNDER THE CONTRACTUAL ARRANGEMENTS

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

Exclusive Consultation and Service Agreement

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

- providing information consultation services in respect of the Consolidated Affiliated Entities’ business;
- providing business management consultation;
- providing technical support and professional training services to relevant staff of the Consolidated Affiliated Entities;
- providing order management and customer services;
- providing marketing and promotion services;
- assisting Consolidated Affiliated Entities in consultancy, collection and research of technology and market information (excluding market research business that wholly foreign owned enterprises are prohibited from conducting under PRC laws);



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- design, development, maintenance and updating of software in respect of the Consolidated Affiliated Entities' business;
- license and authorization of use of the software, trademarks, domain names and various other types of intellectual properties owned by the WFOE;
- design, installation, daily management, maintenance and updating of network systems, hardware and database;
- maintenance of the local area network of the Consolidated Affiliated Entities' business and anti-virus and security management of the network of the Consolidated Affiliated Entities' business;
- assisting Consolidated Affiliated Entities for transfer, leasing and disposal of equipment and properties;
- providing on-site services upon request from the Consolidated Affiliated Entities, arranging engineers to provide on-site assistance for conferences and other relevant technical support and consultation services; and
- other relevant services requested by the Consolidated Affiliated Entities from time to time to the extent permitted under PRC laws.

Under the Exclusive Consultation and Service Agreement, the service fee shall consist of 100% of the total consolidated profit of the Consolidated Affiliated Entities, after deduction of any accumulated deficit of the Consolidated Affiliated Entities in respect of the preceding financial year(s), operating costs, expenses, taxes and other statutory contributions. Notwithstanding the foregoing, the WFOE may adjust the scope and amount of service fees according to PRC tax law and tax practices, and Tianjin Maoyan Weying will accept such adjustments. The WFOE shall calculate the service fees on a monthly basis and issue a corresponding invoice to Tianjin Maoyan Weying. Tianjin Maoyan Weying shall make payment to the bank account designated by the WFOE within 10 days upon receipt of the invoice and send payment certificates to the WFOE.

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

The Exclusive Consultation and Service Agreement also provide that the WFOE has the exclusive proprietary rights to and relevant interests in any and all intellectual property rights developed or created by the Consolidated Affiliated Entities during the performance of the Exclusive Consultation and Service Agreement.

The validity period of the Exclusive Consultation and Service Agreement shall start from the execution date and it shall remain effective for 20 years unless terminated (a) by agreement between the WFOE and Tianjin Maoyan Weying; or (b) by a written notice from the WFOE at least 30 days before termination. Tianjin Maoyan Weying is not entitled to unilaterally terminate the agreement. Upon expiration of the agreement and if the WFOE intends to extend it, Tianjin Maoyan Weying shall accept the extension without conditions.

Exclusive Option Agreement

Pursuant to the amended and restated exclusive equity transfer option agreement dated August 9, 2018 among Tianjin Maoyan Weying, the WFOE and the Registered Shareholders (the "Exclusive Option Agreement"), the WFOE has been granted an irrevocable, unconditional and exclusive right to require the Registered Shareholders to transfer any or all their equity interests in Tianjin Maoyan Weying to the WFOE and/or a third party designated by it, in whole or in part at any time and from time to time. Tianjin Maoyan Weying and the Registered Shareholders, among other things, have covenanted that:

- without the prior written consent of the WFOE, they shall not in any manner supplement, change or amend the constitutional documents of the Consolidated Affiliated Entities, increase or decrease their registered capital, or change the structure of their registered capital in other manner;
- they shall maintain the Consolidated Affiliated Entities' corporate existence in accordance with good financial and business standards and practices, obtain and maintain all necessary government licenses and permits by prudently and effectively operating their business and handling their affairs;
- without the prior written consent of the WFOE, they shall not and shall procure its subsidiaries not, at any time following the date when the Exclusive Option Agreement came into effect sell, transfer, pledge or dispose of in any manner any assets of more than RMB5,000,000, business, operation rights or legitimate interest in the income of Tianjin Maoyan Weying;
- without the prior written consent of the WFOE, the Consolidated Affiliated Entities shall not incur, inherit, guarantee or assume any debt, except for payables incurred in the ordinary course of business not generated from loans;
- the Consolidated Affiliated Entities shall always operate all of their businesses during the ordinary course of business to maintain their asset value and refrain from any action/omission that may adversely affect their operating status and asset value;
- without the prior written consent of the WFOE, they shall not cause the Consolidated Affiliated Entities to execute any material contract with a value of more than RMB5,000,000, except the contracts executed in the ordinary course of business;
- without the prior written consent of the WFOE, they shall not cause the Consolidated Affiliated Entities to provide any person with any loan or credit, or guarantee for any third-party debt;
- they shall provide the WFOE with information on the Consolidated Affiliated Entities' business operations and financial condition at the request of the WFOE;



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- if requested by the WFOE, they shall procure and maintain insurance in respect of the Consolidated Affiliated Entities' assets and business from an insurance carrier acceptable to the WFOE, at an amount and type of coverage typical for companies that operate similar businesses;
- without the prior written consent of the WFOE, they shall not cause or permit the Consolidated Affiliated Entities to merge, consolidate with, acquire or invest in any person;
- they shall immediately notify the WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the Consolidated Affiliated Entities' assets, business or revenue, as well as any circumstances which may adversely affect the Consolidated Affiliated Entities' existence, business operation, financial situation, assets or goodwill;
- to maintain the ownership by the Consolidated Affiliated Entities of all of their assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defences against all claims;
- without the prior written consent of the WFOE, the Consolidated Affiliated Entities shall not in any manner distribute profits or dividends to their shareholders, provided that upon the request of the WFOE, the Consolidated Affiliated Entities shall immediately distribute all distributable profits to their shareholders;
- at the request of the WFOE, they shall appoint any persons designated by the WFOE as the directors, supervisors and senior management of the Consolidated Affiliated Entities, replace or remove the directors, supervisors and senior management of the Consolidated Affiliated Entities, and go through all relevant resolution procedures and filings;
- without the written consent of the WFOE, the Consolidated Affiliated Entities shall not engage in any business in competition with the WFOE or its affiliates;
- unless otherwise mandatorily required by PRC laws, the Consolidated Affiliated Entities shall not be dissolved or liquidated without prior written consent by the WFOE;
- if the exercise of the rights by the WFOE is obstructed due to the Consolidated Affiliated Entities' or any of their shareholders' non-compliance of their tax duties under applicable laws, the WFOE shall have the right to require them to fulfill such tax duties;
- in the event of bankruptcy, dissolution, liquidation, death or loss of legal capacity (if applicable) of any of Consolidated Affiliated Entities' shareholders, or other circumstances that may affect the Consolidated Affiliated Entities' equity interests, any successor of an existing shareholder shall be deemed to be a party to the Exclusive Option Agreement. The Consolidated Affiliated Entities shall, on or before the day of signing this agreement to make everything properly arranged and signed in order to ensure the documentations, in the event of bankruptcy, dissolution, liquidation, death, incapacity or divorce (if applicable) and any circumstance of their shareholders, will not affect or hinder the fulfillment of the Exclusive Option Agreement. The Exclusive Option Agreement and other contractual arrangements shall prevail any form of agreements relating to disposition of interests in the Consolidated Affiliated Entity unless prior written consent from the WFOE is obtained;

- without the prior written consent of the WFOE, the Consolidated Affiliated Entities will not and shall not assist or permit their shareholders to transfer or otherwise dispose of any option equity or to establish any security interest or other third-party rights on any option equity; and
- if signing and performance of the Exclusive Option Agreement and the stock transfer options granted under the Exclusive Option Agreement shall require any third party's consent, permission, waiver, authorization or any governmental agency's approval, license, immunity, registration or filing in accordance with the law, the Consolidated Affiliated Entities shall make every endeavour to help satisfy the above conditions.

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

- without the written consent of the WFOE, they shall not sell, transfer, pledge or dispose of in any other manner the legal or beneficial interest in Tianjin Maoyan Weying, or allow the encumbrance thereon of any security interest, except for the Equity Pledge Agreement and the interests prescribed in the Proxy Agreement;
- for each exercise of the equity purchase option, they shall cause the shareholders' meeting and/or the board of directors of Tianjin Maoyan Weying to vote on the approval of the transfer of equity interests and any other action requested by the WFOE;
- Registered Shareholders whose equity interest has not been transferred shall relinquish the pre-emptive right (if any) it is entitled to in relation to the transfer of equity interest by any other shareholders to the WFOE and/or any entity or individual appointed by the WFOE pursuant to Exclusive Option Agreement;
- without the written consent of the WFOE, each of the Registered Shareholders shall not request Tianjin Maoyan Weying to distribute dividends or profits in any form, propose resolutions in relation to this at a general meeting, or vote to pass such resolutions. In any event, unless decided otherwise by the WFOE, if any Registered Shareholder receives corporate income, profits or dividends from Tianjin Maoyan Weying, they shall pay or transfer the received income, profits, dividends to the WFOE or any party designated by the WFOE to the extent allowed by the PRC laws; and
- Registered Shareholders shall also strictly comply with the provisions of the Exclusive Option Agreement between Registered Shareholders, the Consolidated Affiliated Entity and the WFOE, and shall faithfully perform the obligations under such agreements and shall not conduct any act and/or omission which shall affect the validity and enforceability of such agreements. If any Registered Shareholder retains any rights on the equities as in the Equity Pledge Agreement or the Proxy Agreement, it shall not exercise such rights unless instructed in writing by the WFOE.

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



Directors' Report

Equity Pledge Agreement

Pursuant to the amended and restated equity pledge agreement dated August 9, 2018 entered into among the WFOE, Tianjin Maoyan Weying and each of the Registered Shareholders (the "Equity Pledge Agreement"), the Registered Shareholders agreed to pledge all their respective equity interests in Tianjin Maoyan Weying that they own, including any interest or dividend paid for the shares, to the WFOE as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts.

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

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

The equity pledge registrations under the Equity Pledge Agreement as required by the relevant laws and regulations have been completed in accordance with the Equity Pledge Agreement and PRC laws and regulations.

Proxy Agreement

Pursuant to the amended and restated proxy agreement dated August 9, 2018 entered into among the WFOE, Tianjin Maoyan Weying and the Registered Shareholders (collectively, the "Proxy Agreement"), pursuant to which, each of the Registered Shareholders irrevocably and exclusively appointed the persons designated by the WFOE (including but not limited to Directors of the WFOE's parent company, Maoyan Entertainment, and their successors and liquidators replacing the Directors but excluding those who are non-independent or who may give rise to conflict of interests) as its attorneys-in-fact to exercise on its behalf, any and all right that it has in respect of its equity interests in Tianjin Maoyan Weying, including without limitation:

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

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

On June 30, 2019, NDRC and the MOFCOM issued Order No.25, and promulgated the Special Administrative Measures for Access of Foreign Investment (Negative List) (the "Negative List (2019)") (2019 Edition, which came into force from July 30, 2019). As advised by our PRC Legal Advisor, the Negative List (2019) has cancelled foreign investment restrictions for the performance brokerage business, and according to our communication with the competent culture department of Tianjin, it began to accept applications for performance brokerage licenses for wholly foreign-owned enterprises at the end of 2019. Based on this, the performance brokerage business of Maoyan Live JV, our Consolidated Affiliated Entities, is no longer subject to the limit of not more than 50% foreign investment at the time of its establishment. Accordingly, after seeking the advice of our PRC legal advisor, WFOE has established its wholly-owned subsidiaries, namely Tianjin Maoyan Entertainment and Shanghai Maoyan Entertainment, and will apply for a commercial performance license in accordance with the law and take all internal performance business in the group upon meet legal qualifications. Subject to the COVID-19 pandemic in 2020, the application was delayed and Tianjin Maoyan Entertainment is using its commercial efforts to obtain the commercial performance license. Maoyan Live JV and its subsidiaries will gradually cease operations until it is deregistered.

For the year ended December 31, 2020, save for the release of aforesaid Negative List (2019) and the Special Administration Measures for Access of Foreign Investment (Negative List) (the "Negative List (2020)") (2020 Edition, which came into force from July 23, 2020) and the Company has therefore taken active measures, none of the Contractual Arrangements had been unwound on the basis that none of the restrictions that led to the adoption of the Contractual Arrangements had been removed. As of December 31, 2020, we had not encountered interference or encumbrance from any PRC governing bodies in operating our businesses through our Consolidated Affiliated Entities under the Contractual Arrangements.

The revenue of the Consolidated Affiliated Entities amounted to RMB604 million for the year ended December 31, 2020, representing a decrease of 66.1% from RMB1,781 million for the year ended December 31, 2019. As of December 31, 2020, the total assets of the Consolidated Affiliated Entities amounted to RMB7,220 million, representing approximately 68.1% of the total assets of our Group.



Directors' Report

Reasons for Adopting the Contractual Arrangements

Foreign investment activities in the PRC are mainly governed by the Catalogue of Encouraged Industries for Foreign Investment (2020 Edition) (the “Catalogue”) and the Negative List (2020), which have been promulgated and amended from time to time jointly by the MOFCOM and the NDRC. The Catalogue and the Negative List (2020) divide industries into four categories in terms of foreign investment, namely, “encouraged”, “restricted”, “prohibited” and “permitted” (the last category of which includes all industries not listed under the “encouraged”, “restricted” and “prohibited” categories).

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

In order to maintain our business operations in compliance with the applicable PRC laws and regulations, the Company, as a foreign investor under the current regulatory regime, has adopted the Contractual Arrangements, which allow the Company to exercise control over the business operation of our Consolidated Affiliated Entities and enjoy all the economic interests derived therefrom.

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

Risks Relating to the Contractual Arrangements

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

- If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretation change in the future, we could be subject to severe consequences, including the nullification of the contractual arrangements and the relinquishment of our interest in our Consolidated Affiliated Entities.
- Our contractual arrangements may not be as effective in providing operational control as direct ownership. Tianjin Maoyan Weying or its shareholders may fail to perform their obligations under our contractual arrangements.
- We may lose the ability to use and enjoy assets held by our Consolidated Affiliated Entities that are material to our business operations if our Consolidated Affiliated Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.

- The shareholders and directors of Tianjin Maoyan Weying may have conflicts of interest with us, which may materially and adversely affect our business.
- If we exercise the option to acquire equity ownership or assets of Consolidated Affiliated Entities, the ownership or asset transfer may subject us to certain limitations and substantial costs.
- Our contractual arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our profit and the value of the Shareholders' investment.

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

The Foreign Investment Law

The Foreign Investment Law (外商投資法) (the "FIL") promulgated by the National People's Congress on March 15, 2019 and Implementation Regulations for Foreign Investment Law promulgated by the State Council of China on December 26, 2019 (the "Implementation Regulations for FIL") have taken effect on January 1, 2020. The FIL replaces the existing laws regulating foreign investments in PRC, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law. The FIL and Implementation Regulations for FIL embody an expected regulatory trend in PRC to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments.

The FIL and Implementation Regulations for FIL do not explicitly stipulate the contractual arrangements as a form of foreign investment. The FIL does not mention concepts including "actual control" and "controlling through contractual arrangements" nor does it specify the regulation on controlling through contractual arrangements. Furthermore, the FIL and Implementation Regulations for FIL do not specifically stipulate rules on the Relevant Businesses. Instead, the FIL and Implementation Regulations for FIL stipulate that "foreign investors invest in PRC through any other methods under laws, administrative regulations, or provisions prescribed by the State Council". In addition, the FIL and Implementation Regulations for FIL do not specify what actions shall be taken with respect to the existing companies with a VIE structure, whether or not these companies are controlled by PRC entities and/or citizens. Therefore, as advised by our PRC Legal Advisor, our Contractual Arrangements are currently not affected by the FIL and Implementation Regulations for FIL.

Nevertheless, there are possibilities that future laws, administrative regulations or provisions of the State Council of PRC may stipulate contractual arrangements as a way of foreign investments, and then whether our Contractual Arrangements will be recognized as foreign investments, whether our Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how our Contractual Arrangements will be dealt with are uncertain.



Directors' Report

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- (1) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (2) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (3) our Company will disclose the overall performance of and compliance with the Contractual Arrangements in our annual reports; and
- (4) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements and review the legal compliance of our WFOE and Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

WAIVERS GRANTED BY THE STOCK EXCHANGE

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

Confirmation from Independent Non-executive Directors

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

- (i) the transactions carried out during the year ended December 31, 2020 have been entered into in accordance with the relevant provisions of the Contractual Arrangements;
- (ii) no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group during the year ended December 31, 2020; and
- (iii) any new contracts entered into, renewed or reproduced between the Group and the Consolidated Affiliated Entities during the year ended December 31, 2020 are fair and reasonable, or advantageous to the Shareholders, so far as the Group is concerned and in the interests of the Company and the Shareholders as a whole.

Confirmations from the Auditor

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

- (i) nothing has come to their attention that causes the Auditor to believe that the disclosed transactions under the Contractual Arrangements have not been approved by the Board;
- (ii) nothing has come to their attention that causes the Auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements under the Contractual Arrangements governing such transactions; and
- (iii) nothing has come to their attention that causes the Auditor to believe that there were dividends or other distributions declared and/or distributed by our Consolidated Affiliated Entities to the holders of their equity interests which were not otherwise subsequently assigned or transferred to our Group.

AUDIT COMMITTEE

The Audit Committee had reviewed together with the Board the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended December 31, 2020.

AUDITOR

The financial statements of the Group for the year ended December 31, 2020 have been audited by PricewaterhouseCoopers, auditor of the Company, who shall retire and, being eligible, have offered itself for re-appointment as auditor at the AGM. The Company has not changed auditor during any of the past three years.

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

By order of the Board

Maoyan Entertainment

Executive Director

ZHENG Zhihao

Hong Kong, March 30, 2021

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, each of the Directors has confirmed that he/she has complied with the Model Code during the Reporting Period.

THE BOARD OF DIRECTORS

Board composition

The Board currently comprises one executive Director, seven non-executive Directors and four independent non-executive Directors. The composition of the Board during the Reporting Period and as of the date of this Annual Report is set out as follows:

Executive Director

Mr. Zheng Zhihao (*Chief Executive Officer*)

Non-Executive Directors

Mr. Wang Changtian¹ (*Chairman*)

Ms. Li Xiaoping

Ms. Wang Jian²

Mr. Zhan Weibiao (resigned on June 9, 2020)

Mr. Cheng Wu (appointed on June 9, 2020)

Mr. Chen Shaohui

Mr. Lin Ning

Mr. Tang Lichun, Troy (appointed on January 15, 2020)

Independent Non-Executive Directors

Mr. Wang Hua
Mr. Chan Charles Sheung Wai
Mr. Ma Dong (resigned on October 28, 2020)
Mr. Yin Hong (appointed on October 28, 2020)
Mr. Luo Zhenyu (resigned on June 9, 2020)
Ms. Liu Lin (appointed on June 9, 2020)

Notes:

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

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

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

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

Chairman and Chief Executive Officer

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

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

Corporate Governance Report

Board Meetings, Board Committees Meetings and General Meetings

The attendance record of each director at the board meetings, general meetings and board committee meetings held during the Reporting Period is set out in the table below:

Name of directors	Number of meetings attended/held				
	Board meeting	General meeting	Audit committee	Nomination committee	Remuneration committee
Executive director					
Mr. Zheng Zhihao	8/8	1/1	N/A	2/2	1/1
Non-executive director					
Mr. Wang Changtian	8/8	1/1	N/A	N/A	N/A
Ms. Li Xiaoping	7/8	0/1	N/A	N/A	N/A
Ms. Wang Jian	8/8	1/1	N/A	N/A	N/A
Mr. Zhan Weibiao ⁽¹⁾	4/5	0/0	N/A	N/A	N/A
Mr. Cheng Wu ⁽²⁾	3/3	0/1	N/A	N/A	N/A
Mr. Chen Shaohui	4/8	0/1	N/A	N/A	N/A
Mr. Lin Ning	6/8	0/1	N/A	N/A	N/A
Mr. Tang Lichun, Troy ⁽³⁾	6/7	0/1	N/A	N/A	N/A
Independent non-executive director					
Mr. Wang Hua	8/8	1/1	3/3	2/2	1/1
Mr. Chan Charles Sheung Wai	8/8	1/1	3/3	2/2	N/A
Mr. Ma Dong ⁽⁴⁾	5/8	0/1	1/3	N/A	0/0
Mr. Yin Hong ⁽⁵⁾	0/0	0/0	N/A	N/A	N/A
Mr. Luo Zhenyu ⁽⁶⁾	2/5	0/0	N/A	N/A	N/A
Ms. Liu Lin ⁽⁷⁾	3/3	0/1	0/0	N/A	1/1

Notes:

1. Mr. Zhan Weibiao resigned as a non-executive Director on June 9, 2020. From January 1, 2020 to the date of his resignation, the Company had held 5 Board meetings.
2. Mr. Cheng Wu was appointed as a non-executive Director on June 9, 2020. From the date of his appointment to December 31, 2020, the Company had held 3 Board meetings.
3. Mr. Tang Lichun, Troy was appointed as a non-executive Director on January 15, 2020. After the date of his appointment to December 31, 2020, the Company had held 7 Board meetings.

4. Mr. Ma Dong ceased to be a member of the Audit Committee and the Remuneration Committee since August 18, 2020 and resigned as an independent non-executive Director on October 28, 2020. From January 1, 2020 to the date of his cessation from the above positions, the Company had held 3 meetings of the Audit Committee and 0 meeting of the Remuneration Committee and 8 Board meetings respectively.
5. Mr. Yin Hong was appointed as an independent non-executive Director on October 28, 2020. From the date of his appointment to December 31, 2020, the Company had not held any Board meetings.
6. Mr. Luo Zhenyu resigned as an independent non-executive Director on June 9, 2020. From January 1, 2020 to the date of his resignation, the Company had held 5 Board meetings.
7. Ms. Liu Lin was appointed as an independent non-executive Director on June 9, 2020 and a member of the Audit Committee and the Remuneration Committee on August 18, 2020. From the date of her appointment to the above positions to December 31, 2020, the Company had held 0 meeting of the Audit Committee and 1 meeting of the Remuneration Committee and 3 Board meetings respectively.

During the Reporting Period, the Company held 8 board meetings, and the chairman held one meeting with the independent non-executive directors without the presence of other Directors.

The 2020 annual general meeting of the Company was held at No. 3 Building, Yonghe Hangxing Garden, No. 11 Hepingli East Street, Dongcheng District, Beijing, the PRC on June 29, 2020, considered and approved the resolutions regarding audited consolidated financial statements of the Company and its subsidiaries and the reports of the directors of the Company and auditor for the year ended December 31, 2019, re-election of retiring directors and authorize the Board to fix remuneration of the Directors, re-appointment of PricewaterhouseCoopers as the auditor of the Company and authorize the Board to fix the remuneration of the auditor, granting of general mandates to issue new shares and to repurchase shares, granting of annual mandate to issue shares under the RSU scheme.

Appointment, Re-election and Removal of Directors

Each of the Directors (including the non-executive Directors and independent non-executive Directors) has entered into a service contract or appointment letter with the Company. Terms of the Directors are set out in the section headed "DIRECTORS' SERVICE CONTRACTS" under "Directors' Report" of this report.

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

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

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

In accordance with Article 113 of the Articles of Association, Mr. Yin Hong shall retire at the AGM and, being eligible, will offer himself for re-election.



Corporate Governance Report

Directors' Responsibilities for Financial Statements

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

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

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

Responsibilities of and Delegation by the Board

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

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

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

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

Continuous Professional Development

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

During the Reporting Period, a financial advisor was appointed to provide onsite training to the directors, including, among others, introduction to domestic and overseas capital market, strategic advice on capital market, investment in merger and acquisition, strategic resources as well as other matters.

Directors	Attending training session	Reading regulatory materials
Executive Director		
Mr. Zheng Zhihao	✓	✓
Non-Executive Directors		
Mr. Wang Changtian	✓	✓
Ms. Li Xiaoping	✓	✓
Ms. Wang Jian	✓	✓
Mr. Zhan Weibiao ⁽¹⁾	N/A	✓
Mr. Cheng Wu ⁽²⁾	✓	N/A
Mr. Chen Shaohui	✓	✓
Mr. Lin Ning	✓	✓
Mr. Tang Lichun, Troy	✓	✓
Independent Non-Executive Directors		
Mr. Wang Hua	✓	✓
Mr. Chan Charles Sheung Wai	✓	✓
Mr. Ma Dong	✓	✓
Mr. Yin Hong ⁽³⁾	✓	N/A
Mr. Luo Zhenyu ⁽⁴⁾	N/A	✓
Ms. Liu Lin ⁽⁵⁾	✓	N/A



Corporate Governance Report

Notes:

1. Mr. Zhan Weibiao resigned as a non-executive Director on June 9, 2020 and did not attend training sessions held after June 9, 2020.
2. Mr. Cheng Wu was appointed as a non-executive Director on June 9, 2020 and did not review regulatory materials sent by the Company before June 9, 2020.
3. Mr. Yin Hong was appointed as an independent non-executive Director on October 28, 2020 and did not review regulatory materials sent by the Company before October 28, 2020.
4. Mr. Luo Zhenyu resigned as an independent non-executive Director on June 9, 2020. He did not attend training sessions held after June 9, 2020.
5. Ms. Liu Lin was appointed as an independent non-executive Director on June 9, 2020 and did not review regulatory materials sent by the Company before June 9, 2020.

Corporate Governance Function

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

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the code provisions of the CG Code and disclosure in the corporate governance report under the Listing Rules.

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

BOARD COMMITTEES

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

Audit Committee

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

1. to review significant financial policies of the Company and their implementation, and supervise the financial activities of the Company;
2. to review the financial information and relevant disclosures of the Company;
3. to consider and approve the risk management and internal control evaluation proposal of the Company, and supervise and evaluate the risk management and internal control of the Company;
4. to consider and approve the audit budget, remuneration of staff and appointment and dismissal of major officers of the Company, supervise and evaluate the work of internal audit of the Company and formulate the medium- to long-term audit plan, annual working plan and internal audit system setting plan of the Company as authorized by the Board, and report to the Board;
5. to propose the appointment or dismissal of an external accounting firm, supervise the work of the external accounting firm, and evaluate the report of the external accounting firm to ensure that the external accounting firm undertakes its audit responsibilities;
6. to facilitate communications and monitor the relationship between the internal audit and supervision department and the external accounting firm;
7. to monitor the non-compliance of the Company in respect of the financial reports and the risk management and internal control; and
8. other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where our Shares are listed and the requirements of the Articles of Association, and as authorized by the Board.



Corporate Governance Report

During the Reporting Period, the Audit Committee held three meetings, at each of which, the external auditor was invited without the presence of the executive Directors.

The Audit Committee held a meeting on March 23, 2020 and reviewed, among other things, the audited consolidated results of the Group for the year ended December 31, 2019 and the effectiveness of the risk management and internal control systems of the Company. On August 17, 2020, another meeting was held to review, inter alia, the unaudited consolidated results of the Group for the six months ended June 30, 2020.

PricewaterhouseCoopers (“PwC”) is the appointed auditor of the Group. The Audit Committee annually reviews the relationship between the Company and PwC. In addition, the Audit Committee has also reviewed the effectiveness of external audit procedures and the independence and objectiveness of PwC, and is satisfied with the existence of the good relationship. As a result, the Audit Committee recommends the reappointment of PwC at the forthcoming AGM.

Nomination Committee

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

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

1. to formulate procedures and standards for the election of Directors and senior management and make recommendations to the Board on the proposed procedures and standards;
2. to make recommendations to the Board on the nomination of candidates for Directors, Presidents and secretary of the Board;
3. to preliminarily examine the eligibility of candidates for Directors and senior management;
4. to make recommendations to the Board on the nomination of candidates for chairmen and members of the Board committees; and
5. other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where our Shares are listed and the requirements of the Articles of Association, and as authorized by the Board.

During the Reporting Period, the Nomination Committee held two meetings.

The Nomination Committee held a meeting on March 23, 2020 and reviewed, among other things, the structure, size and composition of the Board, assessed the independence of independent non-executive Directors to determine their eligibility and discussed the re-appointment of directors and succession planning for directors.

Remuneration Committee

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

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

1. to organize and formulate the remuneration policy and plan of Directors and senior management and submit to the Board for approval, and propose the remuneration distribution plan according to the performance evaluation of Directors and senior management and submit to the Board for approval; and
2. other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where our Shares are listed and the requirements of the Articles of Association, and as authorized by the Board.

During the Reporting Period, the Remuneration Committee held one meeting.

The Remuneration Committee held a meeting on December 28, 2020 and reviewed, among other things, the remuneration package of the Directors and the remuneration policy of the Group's senior management.

BOARD DIVERSITY POLICY

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

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

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

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

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



Corporate Governance Report

As of the date of this Annual Report, the Company has a total of 13 Directors, covering different gender and a broad age distribution. There is a diverse mix of experience and background including Internet and media, information technology, investment and accounting. The Nomination Committee has reviewed the Board Diversity Policy and considers that, appropriate balance has been stricken among the Board members in terms of skills, experience and perspectives.

NOMINATION POLICY

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

1. The Nomination Committee shall, upon completing the assessment over the current composition and size of the Board, produce a description of the responsibilities and capabilities required for the specific appointment with reference to the findings of such assessment.
2. Taking into consideration these conditions of identifying or selecting suitable candidates, the Nomination Committee may seek any source of assistance as it sees fit, including referrals from existing directors, use of public advertisement or external consultancy services, and recommendations from the shareholders of the Company.
3. The Nomination Committee shall conduct preliminary review over the qualifications and conditions of the candidates for directorship before recommending suitable candidates for directorship to the Board, while the Remuneration Committee shall review the letter of appointment or major terms of such appointment in regard to the candidates for directorship.
4. As for the procedures for shareholders to nominate a person for election as a director, please refer to the “Procedures for Shareholders to Nominate a Person for Election as a Director” set out on the website of the Company.
5. The Board is entitled to final decision in connection with all matters involving election of the recommended candidates at a general meeting.

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

- reputation for individual character, integrity, and others;
- achievements and experiences in the related industry;
- time available for performing duties;
- diversity of the Board in various aspects, including but not limited to gender, age, cultural and education backgrounds, ethnicity, professional experiences, skills, knowledge, and length of services;

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

REMUNERATION OF THE MEMBERS OF THE SENIOR MANAGEMENT BY BAND

Details of the remuneration of the Directors are set out in Note 38 to the audited consolidated financial statements. Save as disclosed therein, there is other individual of senior management. Pursuant to paragraph B.1.5 of the CG Code, their remuneration by band for the year ended December 31, 2020 is set out below:

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

EXTERNAL AUDITOR'S REMUNERATION

The remunerations paid or payable to the external auditor of the Company in respect of audit and non-audit services provided to the Group for the year ended December 31, 2020 are set out as below. The amount of audit services fee also included the service fee in connection with the Initial Public Offering. The non-audit services conducted by the Auditor mainly include professional services on tax advisory, internal control consultation services, and environmental, social and governance report advisory.

Services Category	Fees payable or paid RMB'000
Audit Services	5,843
Non-audit Services	934
Total Fees	6,777



Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

First Defense – Core Business Departments

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

Second Defense – Functional Departments

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

Third Defense – Internal Audit Department

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

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

Risk Management

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

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

Risk Management Process

The Company has established a dynamic risk management process:

- Business and functional departments of each operation line identify, assess and respond to risks in the course of operation in a systematic manner, escalating concerns and communicating results to the internal audit and supervision department;
- The internal audit and supervision department collects, analyses, and consolidates a list of significant risks at the company level, and provides input on risk response strategies and control measures for such risks. The corresponding risk responses and control measures against these significant risks will be reviewed by the Audit Committee before reporting to the Board;
- The internal audit and supervision department reviews and evaluates the responses to significant risks from time to time, and reports to the Audit Committee at least once a year; and
- The Audit Committee, on behalf of the Board, assesses and determines the nature and level of the risks that the Company is willing to take in order to achieve its business objectives and formulates appropriate response strategies which include designating responsible departments for handling each significant risk. The Audit Committee provides guidance to the Company's management to implement effective risk management system with supports from the internal audit and supervision department.



Corporate Governance Report

Significant Risks of the Company

In 2020, the management identified four significant risks in accordance with the abovementioned risk management process. The Board will monitor the overall risk exposure of the Company and review the nature and severity of such significant risks facing the Company. The Board is of opinion that the management has implemented appropriate measures to address and manage these significant risks to such a level acceptable to the management.

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

1. *Governmental and regulatory risks*

The government and relevant regulatory bodies impose more stringent regulations over the internet and movie industry. In addition, the entry barrier mechanism, content censorship system, and other regulations may limit our business operation, including ownership structure, necessary licensing, marketing strategies, entertainment contents, customer relations, and intellectual property rights. Following the introduction and execution of the Cyberspace Security Law and other laws and regulations, the regulatory bodies will emphasize more on the legitimacy and compliance of collecting, maintaining, and applying users' personal information. Any company that fails to comply with these laws and regulations may be subject to administrative penalties or litigation, which may constrain its business development in serious cases.

The Company has the legal department and government affairs department, and appoints an external legal and compliance consultant, all of which are responsible for timely obtaining and understanding information regarding regulations, systems, and regulatory requirements published by the government and regulatory bodies before timely relaying such information to the relevant business departments of the operation lines. The government affairs department is committed to nurturing a sound government relationship, timely and accurately obtaining policy trend, and fully understanding industrial regulations on entertainment contents so as to mitigate the risks of non-compliance with the government and regulatory requirements, and policy details can be timely acquired to promote the business operation. The business departments will exercise strict control over investments in and promotion of entertainment contents to ensure that the subject matters of such entertainment contents are in compliance with regulatory requirements, while the legal department shall conduct audits over the business qualifications of the Company in accordance with latest policies, and timely provide updates to safeguard the compliance of our businesses with such policies.

2. *Market competition risks*

The rapid development of the entertainment industry, coupled with the emergence and evolution of new media and entertainment, the customer demands for product and service innovation, and the crossover development of non-internet entertainment companies, is likely to bring new competitions and challenges to the current businesses of the Company. If the Company fails to perform well against competitors, the Company's operating results and financial conditions may be affected by the possible failure to generate expected revenue or achieve investment returns.

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

3. Brand and reputation risks

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

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

4. Employee turnover risks

The Company is dependent on the chief executives and key talents for its successful operation and development. Given a high turnover rate of internet and entertainment talents, the talent reserve of internet companies are inadequate, which may affect the business sustainability of the Company in the related sectors. Furthermore, as a result of fierce competition for talents in the industry, if the executive officers and key talents join our competitors or establish a competing business, the Company may lose technological advantages, trade secrets, business partners, and other critical resources, which in return will affect the operating results and operating efficiency of the Company.

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

Internal Control

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

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

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



Corporate Governance Report

Inside Information

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

Effectiveness of Risk Management and Internal Control Systems

The Board conducted an annual review over the effectiveness of risk management and internal control systems of the Company for the year ended December 31, 2020, and the management confirmed the effectiveness of the risk management internal control systems within their terms of reference during the year. As a result, the Board is confident, without any evidence to the contrary, that the Company has provided reasonable assurance as to compliance with the risk management and internal control systems for the year ended December 31, 2020, which has prevented any significant financial misstatement or loss, and included protection of assets, appropriate maintenance of accounting records, reliability of financial data, compliance with applicable laws and regulations, and identification and control of business risks. In connection with the effectiveness of risk management and internal control systems, the Board has confirmed that no significant areas of concern have been identified and believes that the system remains effective and adequate, including sufficient resources, appropriate qualifications and experiences of our employees, and employee training programs, and that there are adequate budgets for accounting, internal audit, and financial reporting functions.

JOINT COMPANY SECRETARIES

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

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

During the Report Period, Ms. Zheng Xia and Mr. Cheng Ching Kit were fully in compliance with the Rule 3.29 of the Listing Rules as both received no less than 15 hours of professional training.

SHAREHOLDERS' RIGHTS

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

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

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

Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitioner(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitioner(s) as a result of the failure of the Board shall be reimbursed to the requisitioner(s) by the Company.

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

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



Corporate Governance Report

DIVIDEND POLICY

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

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

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

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

INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS

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

Computershare Hong Kong Investor Services Limited

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

Should any questions as to the Company arise, shareholders and investors may contact the Company. The contact details of the Company are as follows:

Maoyan Entertainment

No. 3 Building, Yonghe Hangxing Garden
No. 11 Hepingli East Street
Dongcheng District
Beijing, PRC
Email: ir@maoyan.com

CONSTITUTIONAL DOCUMENTS

The Articles of Associations were approved on January 11, 2019 by special resolution and with effect from the Listing Date. Save as disclosed herein, there were no significant changes in the constitutional documents of the Company during the year ended December 31, 2020 and up to the date of this Annual Report.



Independent Auditor's Report

To the Shareholders of Maoyan Entertainment

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Maoyan Entertainment (the "Company") and its subsidiaries (the "Group") set out on pages 89 to 209, which comprise:

- the consolidated statement of financial position as at December 31, 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Independent Auditor's Report



BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

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

- Impairment assessment of goodwill
- Expected credit losses assessment of accounts and other receivables

Independent Auditor's Report

Key Audit Matter

Impairment assessment of goodwill

Refer to Notes 2.6(a), 4(a) and 16 to the consolidated financial statements.

As at December 31, 2020, there was goodwill with carrying amount of approximately RMB4,505 million arising from the acquisitions of Beijing Weige Shidai Entertainment Technology Co., Ltd, Shenzhen Ruihai Fangyuan Technology Co., Ltd. and Hangzhou Soushi Network Co., Ltd in the previous years, which represented approximately 42.5% of the total assets of the Group.

Management performed goodwill impairment test by comparing the recoverable amounts of cash generating unit ("CGU") to the carrying amounts. Management determined the recoverable amounts of the CGU based on value in use ("VIU"), which is the present value of the future cash flows expected to be derived from the Group's CGU. Based on the assessments, management considered no impairment is necessary in respect of the goodwill as at December 31, 2020.

We focused on this area due to the magnitude of the carrying amounts of goodwill and the fact that significant judgements were required by management as the VIU of the related CGU is determined based on assumptions used in the cash flow forecast. The key assumptions adopted by management include the revenue growth rate, gross margin, terminal growth rate and discount rate.

How our audit addressed the Key Audit Matter

Our procedures in relation to impairment assessment of goodwill included:

- We obtained an understanding of management's internal control and process of the estimation of goodwill impairment and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty, complexity and subjectivity;
- We evaluated and tested management's key controls in respect of the goodwill impairment assessment, including the determination of CGU, the valuation model and assumptions used in the calculation of VIU;
- We evaluated the historical accuracy of the cash flow forecast by, for example, comparing the forecast used in the prior year to the actual performance of the business in the current year;
- We evaluated the reasonableness of the key assumptions used in the cash flow forecast, such as revenue growth rate, terminal growth rate and gross margin taking into account industry forecasts and market developments, the Group's management approved budget, plan and historical performance;
- We involved our internal valuation expert to evaluate the discount rate applied in the calculation by comparing with the industry or market data to assess whether the discount rate applied was within the range of those adopted by comparable companies in the same industry and check the calculation of the discount rate; and
- We evaluated management's sensitivity analysis over the revenue growth rate, terminal growth rate and discount rate as adopted in the impairment test so as to assess the potential implication on the results of the impairment test for changes of assumptions within a reasonable range.

Based on the above procedures, we found the key assumptions adopted in management's impairment assessment of goodwill to be supported by the evidence we obtained.

Independent Auditor's Report



Key Audit Matter

Expected credit losses assessment of accounts and other receivables

Refer to Notes 3.1(b), 23 and 24 to the consolidated financial statements.

As at December 31, 2020, the gross amount of the Group's accounts and other receivables amounted to approximately RMB1,765 million which represented approximately 17% of the total assets of the Group. Management has estimated the expected credit losses ("ECL") on the accounts and other receivables and a loss allowance of approximately RMB472 million was made against the accounts and other receivables as at December 31, 2020.

The loss allowances for accounts and other receivables reflected management's best estimate to determine the ECL at the balance sheet date under IFRS 9.

For accounts receivables, the management applied the simplified approach to provide for their ECL, by first grouping accounts receivables based on their nature and risk characteristics and then recalculating their historical credit loss information before further incorporating forward-looking adjustments to reflect the management's forecasts of macroeconomic factors in different scenarios as this affects the debtors' abilities to settle the receivables.

For other receivables, the management assessed whether their credit risk had increased significantly since their initial recognition and applied the three-stage approach to provide for their ECL using a modelling approach that incorporated key parameters and assumptions (including probability of default, loss given default, exposure at default, etc.).

We focused on this area due to the magnitude of the balance of accounts and other receivables and the fact that significant judgements were required by management in assessing the ECL of accounts and other receivables.

How our audit addressed the Key Audit Matter

Our procedures in relation to management's assessment on the ECL of accounts and other receivables include:

- We obtained an understanding of management's internal control and process of the estimation of the ECL on accounts and other receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty, complexity and subjectivity;
- We evaluated and tested management's key control in relation to the estimate of the ECL on accounts and other receivables;
- We performed the following procedures regarding the reasonableness of methods and assumptions used and judgements made by management:
 - We assessed the appropriateness of the ECL provisioning methodology adopted by management;
 - We tested, on a sample basis, the accuracy of the key data inputs such as the aging schedules of accounts and other receivables;
 - We evaluated the reasonableness of grouping of accounts receivables and staging determination for other receivables against their nature and risk characteristics;
 - We challenged the reasonableness of the detailed application of key ECL model parameters and assumptions including probability of default, loss given default, exposure at default by considering the historical default rates and past collection information;
 - We evaluated the appropriateness of forward looking information with reference to independent data and our industry knowledge including multiple economic scenarios and parameters; and
 - We tested, on a sample basis, the mathematical accuracy of the calculations of expected credit loss rates based on the historical loss and forward-looking information.

Based on the above, we considered that the significant judgements and estimates made by management in relation to the assessment of the ECL on accounts and other receivables were supportable by available evidences.



Independent Auditor's Report

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



Independent Auditor's Report

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

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

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

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, March 30, 2021

Consolidated Statement of Comprehensive Income

	Note	Year ended December 31,	
		2020 RMB'000	2019 RMB'000
Revenue	6	1,365,690	4,267,514
Cost of revenue	7	(828,356)	(1,610,367)
Gross profit		537,334	2,657,147
Selling and marketing expenses	7	(485,845)	(1,547,792)
General and administrative expenses	7	(353,561)	(447,810)
Net impairment losses on financial assets	23, 24	(418,356)	(41,850)
Other income	8	130,795	52,408
Other (losses)/gains, net	8	(14,511)	3,836
Operating (loss)/profit		(604,144)	675,939
Finance income	10	15,891	29,006
Finance costs	10	(37,833)	(42,765)
Finance costs, net	10	(21,942)	(13,759)
Share of losses of investments accounted for using the equity method	17	(2,535)	(639)
(Loss)/profit before income tax		(628,621)	661,541
Income tax expenses	11	(17,651)	(202,684)
(Loss)/profit for the year		(646,272)	458,857
(Loss)/profit attributable to:			
– Equity holders of the Company		(646,272)	463,456
– Non-controlling interests		–	(4,599)
		(646,272)	458,857

Consolidated Statement of Comprehensive Income

	Note	Year ended December 31,	
		2020 RMB'000	2019 RMB'000
(Losses)/earnings per share attributable to equity holders of the Company (expressed in RMB per share)			
– Basic (losses)/earnings per share	12	(0.57)	0.42
– Diluted (losses)/earnings per share	12	(0.57)	0.41
(Loss)/profit for the year		(646,272)	458,857
Other comprehensive (loss)/income:			
<i>Item that may be reclassified to profit or loss</i>			
Currency translation differences from foreign operations		1,568	(10,814)
<i>Items that will not be reclassified to profit or loss</i>			
Currency translation differences from the Company		(77,192)	77,529
Changes in the fair value of equity investments at fair value through other comprehensive income	19	(16,168)	(30,496)
Other comprehensive (loss)/income for the year, net of tax		(91,792)	36,219
Total comprehensive (loss)/income for the year		(738,064)	495,076
Total comprehensive (loss)/income attributable to:			
– Equity holders of the Company		(738,064)	499,675
– Non-controlling interests		–	(4,599)
Total comprehensive (loss)/income for the year		(738,064)	495,076

The notes on pages 97 to 209 are integral parts of these consolidated financial statements.

Consolidated Statement of Financial Position

	Note	As at December 31,	
		2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	26,082	34,421
Right-of-use assets	15	21,639	35,305
Intangible assets	16	5,204,121	5,341,073
Investments accounted for using the equity method	17	37,121	37,558
Financial assets at fair value through profit or loss	20	28,313	53,322
Financial assets at fair value through other comprehensive income	19	316,265	356,371
Deferred income tax assets	21	11,930	10,430
Prepayments, deposits and other receivables	24	63,675	113,787
		5,709,146	5,982,267
Current assets			
Inventories	22	35,154	28,232
Accounts receivables	23	318,970	551,647
Prepayments, deposits and other receivables	24	1,853,259	2,335,593
Financial assets at fair value through profit or loss	20	397,864	481,723
Restricted bank deposits	25	154,000	331,369
Term deposit with original maturity over three months	25	–	100,000
Cash and cash equivalents	25	2,140,149	1,540,414
		4,899,396	5,368,978
Total assets		10,608,542	11,351,245
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	29	153	152
Reserves	30	8,264,140	8,283,031
(Accumulated losses)/retained earnings		(641,234)	4,860
Total equity		7,623,059	8,288,043

Consolidated Statement of Financial Position

	Note	As at December 31,	
		2020 RMB'000	2019 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	21	156,456	185,673
Lease liabilities	15	8,620	22,282
		165,076	207,955
Current liabilities			
Borrowings	26	1,013,467	1,161,600
Accounts payables	27	289,209	367,657
Other payables, accruals and other liabilities	28	1,476,012	1,238,638
Lease liabilities	15	14,216	14,027
Current income tax liabilities		27,503	73,325
		2,820,407	2,855,247
Total liabilities		2,985,483	3,063,202
Total equity and liabilities		10,608,542	11,351,245

The notes on pages 97 to 209 are integral parts of these consolidated financial statements.

The consolidated financial statements on pages 89 to 209 were approved for issue by the Board of Directors on March 30, 2021 and were signed on its behalf.

Zheng Zhihao
Executive Director and Chief Executive Officer

Zhai Xuchao
Financial and Accounting Officer

Consolidated Statement of Changes in Equity



	Note	Attributable to equity holders of the Company			Total equity RMB'000
		Share capital RMB'000	Reserves RMB'000	Retained earnings/ (accumulated losses) RMB'000	
As at January 1, 2020		152	8,283,031	4,860	8,288,043
Comprehensive loss					
Loss for the year		–	–	(646,272)	(646,272)
Other comprehensive loss					
– Currency translation differences		–	(75,624)	–	(75,624)
– Changes in the fair value of equity investments at fair value through other comprehensive income	19	–	(16,168)	–	(16,168)
Total comprehensive loss		–	(91,792)	(646,272)	(738,064)
– Transfer of loss upon disposal of equity investments at fair value through other comprehensive income to retained earnings	19	–	(178)	178	–
Transactions with equity holders of the Company					
Issuance of new shares under share option scheme	29,30	1	476	–	477
Share-based compensation expenses	31	–	72,603	–	72,603
Total transactions with equity holders of the Company		1	73,079	–	73,080
As at December 31, 2020		153	8,264,140	(641,234)	7,623,059

Consolidated Statement of Changes in Equity

	Note	Attributable to equity holders of the Company					Non-controlling interests	Total equity
		Share capital	Reserves	Retained earnings/ (accumulated losses)	Total			
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
As at January 1, 2019		130	6,156,971	(455,152)	5,701,949	4,599	5,706,548	
Comprehensive income/(loss)								
Profit for the year		–	–	463,456	463,456	(4,599)	458,857	
Other comprehensive income/(loss)								
– Currency translation differences		–	66,715	–	66,715	–	66,715	
– Changes in the fair value of equity investments at fair value through other comprehensive income	19	–	(30,496)	–	(30,496)	–	(30,496)	
Total comprehensive income/(loss)		–	36,219	463,456	499,675	(4,599)	495,076	
– Transfer of loss upon disposal of equity investments at fair value through other comprehensive income to retained earnings	19	–	3,444	(3,444)	–	–	–	
Transactions with equity holders of the Company								
Issuance of ordinary shares, net of share issuance costs	29,30	18	1,632,213	–	1,632,231	–	1,632,231	
Issuance of new shares for conversion of convertible bond	29,30	3	350,660	–	350,663	–	350,663	
Restricted shares vested	29	1	–	–	1	–	1	
Issuance of new shares under share option scheme	29,30	–	296	–	296	–	296	
Share-based compensation expenses	31	–	103,228	–	103,228	–	103,228	
Total transactions with equity holders of the Company		22	2,086,397	–	2,086,419	–	2,086,419	
As at December 31, 2019		152	8,283,031	4,860	8,288,043	–	8,288,043	

The notes on pages 97 to 209 are integral parts of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended December 31,	
		2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	32	424,707	(727,204)
Interest paid		(36,371)	(40,860)
Income tax paid		(94,190)	(171,794)
Net cash generated from/(used in) operating activities		294,146	(939,858)
Cash flows from investing activities			
Purchases of property, plant and equipment	14	(8,408)	(18,764)
Purchases of intangible assets	16	(4,179)	(3,637)
Acquisition of subsidiaries, net of cash and cash equivalent acquired		–	(79,216)
Proceeds from disposal of property, plant and equipment		9	–
Payments for financial assets at fair value through profit or loss	20	(662,308)	(3,819,778)
Payments for financial assets at fair value through other comprehensive income	19	–	(372,113)
Proceeds from disposals of financial assets at fair value through profit or loss	20	725,059	3,722,578
Proceeds from disposals of financial assets at fair value through other comprehensive income	19	4,402	18,178
Interest received		15,891	29,006
Advance of receivables from investments in movies and TV series		(17,644)	(123,107)
Repayment of receivables from investments in movies and TV series		60,344	57,769
Advance of loans to third parties		(91,316)	(224,758)
Repayment of loans to third parties		168,594	–
Proceeds from loans from third party		119,183	–
Repayment of loans from third party		(74,580)	–
Decrease/(increase) in term deposit with original maturity over three months	25	100,000	(100,000)
Payment for investments accounted for using the equity method	17	(2,098)	(900)

Consolidated Statement of Cash Flows

	Note	Year ended December 31,	
		2020 RMB'000	2019 RMB'000
Net cash generated from/(used in) investing activities		332,949	(914,742)
Cash flows from financing activities			
Proceeds from issuance of new shares	29, 30	–	1,675,285
Payment of ordinary shares issuance costs	30	–	(43,054)
Proceeds from short-term borrowings	26, 32(b)	1,263,467	1,359,600
Repayments of short-term borrowings	26, 32(b)	(1,411,600)	(798,000)
Principal elements of lease payments	15	(13,654)	(12,755)
Decrease/(increase) in restricted bank deposits	25	177,369	(331,369)
Issuance of new shares under share option scheme	29, 30	477	296
Net cash generated from financing activities		16,059	1,850,003
Net increase/(decrease) in cash and cash equivalents		643,154	(4,597)
Cash and cash equivalents at beginning of year		1,540,414	1,536,456
Exchange (loss)/profit on cash and cash equivalents		(43,419)	8,555
Cash and cash equivalents at end of year		2,140,149	1,540,414

The notes on pages 97 to 209 are integral parts of these consolidated financial statements.

Notes to the Consolidated Financial Statements



1 GENERAL INFORMATION

Maoyan Entertainment (the “Company”) was incorporated in the Cayman Islands on December 8, 2017 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands. The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited on February 4, 2019.

The Company is an investment holding company. The Company and its subsidiaries, including structured entities (collectively, the “Group”), are principally engaged in the provision of online entertainment ticketing services, entertainment content services, movies and TV series investments, advertising services and others to users in the People’s Republic of China (the “PRC”).

The financial statements for the year ended December 31, 2020 are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated. The financial statements for the year ended December 31, 2020 have been approved for issue by the Company’s board of directors (the “Board”) on March 30, 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

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

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2020:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting
- COVID-19-Related Rent Concessions – Amendment to IFRS 16 Leases (the amendment)

The new and revised standards above did not have a material effect on the consolidated financial statements of the Group.

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

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(c) Adoption of amendments to standard

The Group has early adopted Amendment to IFRS 16 – COVID-19-Related Rent Concessions from January 1, 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (b) any reduction in lease payments affects only payments due on or before June 30, 2021; and (c) there is no substantive change to other terms and conditions of the lease.

Notes to the Consolidated Financial Statements



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(c) Adoption of amendments to standard *(continued)*

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions totaling RMB1,281,000 have been recognised in other (losses)/gains in the Group's consolidated statement of comprehensive income for the year ended December 31, 2020, with a corresponding adjustment to the lease liabilities.

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

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

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

Subsidiaries controlled through contractual arrangements

Maoyan Entertainment (HK) Limited ("Maoyan Entertainment HK") established Tianjin Maoyan Weying Technology Co., Ltd. (the "WFOE"), the subsidiary of the Group, has entered into the contractual arrangement with Tianjin Maoyan Weying Cultural Media Co., Ltd. ("Tianjin Maoyan Weying") and its registered shareholders, which enables the WFOE and the Group to:

- Exercise effective control over the Tianjin Maoyan Weying and its subsidiaries (the "Operating Entities");
- Exercise equity holders' voting rights of the Operating Entities;

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Principles of consolidation and equity accounting *(continued)*

(a) Subsidiaries *(continued)*

Subsidiaries controlled through contractual arrangements *(continued)*

- Receive substantially all of the economic interests and returns generated by the Operating Entities in consideration for the technical support, consulting and other services provided exclusively by the WFOE, at the WFOE's discretion;
- Obtain an irrevocable and exclusive right to purchase all equity interests in Tianjin Maoyan Weying from its registered shareholders at a nominal consideration unless the relevant government authorities request that another amount be used as the purchase consideration and in which case the purchase consideration shall be such amount. Where the purchase consideration is required by the relevant government authorities to be an amount other than a nominal amount, the registered shareholders of Tianjin Maoyan Weying shall return the amount of purchase consideration they have received to the WFOE. At the WFOE's request, the registered shareholders of Tianjin Maoyan Weying will promptly and unconditionally transfer their respective equity interests of Tianjin Maoyan Weying to the WFOE (or its designee within the Group) after the WFOE exercises its purchase right; and
- Obtain pledges over the entire equity interests in Tianjin Maoyan Weying from its registered shareholders to secure, among others, performance of their obligations under the contractual arrangement.

The Group does not have any equity interest in the Operating Entities. However, as a result of the contractual arrangement, the Group has rights to variable returns from its involvement with the Operating Entities and has the ability to affect those returns through its power over the Operating Entities and is considered to control the Operating Entities. Consequently, the Company regards the Operating Entities as controlled structure entities and consolidated the financial position and results of operations of these entities in the consolidated financial statements of the Group during the years ended December 31, 2020 and 2019.

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

Notes to the Consolidated Financial Statements



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Principles of consolidation and equity accounting *(continued)*

(b) Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see 2.2 (d) below), after initially being recognised at cost.

(c) Joint arrangements

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

The Group has assessed the nature of its certain investments in movie production and determined them to be joint operations. The Group recognizes its direct right to the assets, liabilities, revenue and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenue and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the revenue recognition related to investments in movie production classified as joint operation are set out in Note 2.22.1(b) (ii).

Interests in joint ventures are accounted for using the equity method (see 2.2 (d) below), after initially being recognised at cost in the consolidated balance sheet.

(d) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.



Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Principles of consolidation and equity accounting *(continued)*

(d) Equity method *(continued)*

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.7.

(e) Changes in ownership interests

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

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Notes to the Consolidated Financial Statements



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Principles of consolidation and equity accounting *(continued)*

(f) Business Combinations

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the

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

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Principles of consolidation and equity accounting *(continued)*

(f) Business Combinations *(continued)*

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

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

2.3 Separate financial statements

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

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

Notes to the Consolidated Financial Statements



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Foreign currency translation *(continued)*

(b) Transactions and balances

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

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

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

(c) Group companies

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

- Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting currency translation differences are recognized as a separate component of other comprehensive income.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Foreign currency translation *(continued)*

(c) Group companies *(continued)*

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

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

2.5 Property, plant and equipment

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Intangible assets

(a) Goodwill

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

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

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

(b) Trademarks and licenses

Separately acquired trademarks and licenses are shown at historical cost. Trademarks and licenses acquired in a business combination are recognized at fair value at the acquisition date. Trademarks and licenses have finite useful lives and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives of 9 to 10 years. The Group determined the acquired trademarks and licenses to have useful lives of 9 to 10 years based on the brand awareness of acquiree, expected future renewal rates and the best estimate of the Group.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Intangible assets *(continued)*

(c) Software

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

(d) Business cooperation agreement

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

(e) Contractual customer relationship

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

2.7 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Notes to the Consolidated Financial Statements



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

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

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Investments and other financial assets

(a) Classification

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

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

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

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

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

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

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

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

Notes to the Consolidated Financial Statements



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Investments and other financial assets (continued)

(c) Measurement (continued)

Debt instruments

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

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in "other (losses)/gains, net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "other (losses)/gains, net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "other (losses)/gains, net" and impairment losses are presented as separate line item in the consolidated statement of comprehensive income.
- **FVPL:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within "other (losses)/gains, net" in the period in which it arises.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Investments and other financial assets *(continued)*

(c) Measurement *(continued)*

Equity instruments

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

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

(d) Impairment

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

- Accounts receivables;
- Other receivables, and
- Cash and cash equivalents, restricted bank deposits and term deposit with original maturity over three months.

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

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

Notes to the Consolidated Financial Statements



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Investments and other financial assets *(continued)*

(d) Impairment *(continued)*

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

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

(e) Offsetting financial instruments

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

2.10 Inventories

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

2.11 Accounts receivables

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Accounts receivables *(continued)*

Accounts receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. See Note 2.9 (d) for a description of the Group's impairment policy for accounts receivables.

2.12 Cash and cash equivalents

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

2.13 Share capital

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

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

2.14 Accounts payables

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

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

2.15 Borrowings

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

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

Notes to the Consolidated Financial Statements



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.16 Borrowing costs

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

2.17 Convertible bonds

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

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

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

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Financial liabilities at fair value through profit or loss

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

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

2.19 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

Notes to the Consolidated Financial Statements



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Current and deferred income tax *(continued)*

(b) Deferred income tax *(continued)*

Inside basis differences *(continued)*

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

Outside basis differences

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

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

(c) Offsetting

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Employee benefits

(a) Employee leave entitlements

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

(b) Pension obligations

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

(c) Share-based benefits of the Group

The Group operates several equity-settled share-based compensation plans (including share option scheme and share award scheme), under which the Group receives service from its employees in exchange for the equity instruments of the Group. As disclosed in Note 31, during the years ended December 31, 2020 and 2019, Tianjin Maoyan Weying granted equity-settled share options to certain employees ("2016 ESOP"), which is subsequently terminated as a result of the adoption of the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme, RSU Scheme and Restricted Share Agreement (collectively, the "ESOP Plan") of the Company. The fair value of the employee service received in exchange for the grant of share options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- Including any market performance conditions (e.g., the entity's share price);
- Excluding the impact of any service and non-market performance vesting conditions (e.g., profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- Including the impact of any non-vesting conditions (e.g., the requirement for employees to save or holdings shares for a specific period of time).

Notes to the Consolidated Financial Statements



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Employee benefits *(continued)*

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Provisions

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

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

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

2.22 Revenue recognition

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

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

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

Notes to the Consolidated Financial Statements



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Revenue recognition *(continued)*

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

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

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

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

2.22.1 The accounting policy for the Group's revenue sources

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

(a) Online entertainment ticketing services

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



Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Revenue recognition *(continued)*

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

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

(i) Online movie ticketing

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

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

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

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

(ii) Online entertainment event ticketing

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

Notes to the Consolidated Financial Statements



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Revenue recognition *(continued)*

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

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

(ii) *Online entertainment event ticketing (continued)*

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

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

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

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

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



Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Revenue recognition *(continued)*

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

(b) Entertainment content services

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

(i) Movie distribution and promotion services

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

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

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

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

Notes to the Consolidated Financial Statements



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Revenue recognition *(continued)*

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

(b) Entertainment content services *(continued)*

(ii) Movies production/investment

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

When the Group involves and participates in the determination of idea origination, production crew, cast selection, shooting, post-production with other co-producers and determine distribution and promotion plan as distributor for the movies, and when the key relevant activities of the movie production are discussed and jointly determined by the Company and other producers, the arrangement is considered in substance as a joint operation. As a result, the Company shall recognize the share of revenue and cost of the movies based on our own interest percentage on the relevant movies according to the accounting policy disclosed in Note 2.2(c) Joint arrangements. Therefore, revenue from this type of movie production/investment arising from the revenue share of the movie, based on the interest percentage owned by the Group, is recognized over the movie screening period according to the box office (on a gross basis), and the relevant investment cost of such movies (also representing the cost of the movies shared to the Group) is recognized and presented as cost of revenue in the same pattern of the aforesaid revenue recognition.



Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Revenue recognition *(continued)*

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

(b) Entertainment content services *(continued)*

*(ii) Movies production/investment *(continued)**

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

(c) Advertising services and others

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

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

Notes to the Consolidated Financial Statements



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Revenue recognition (continued)

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

(c) Advertising services and others (continued)

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

The Group provides advertising services to advertisers in both the movie industry and other industries. During the years ended December 31, 2020 and 2019, the Group provides advertising services to advertisers as well as advertising agencies.

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

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

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

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

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.23 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.24 Government grants

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

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

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

2.25 Leases

The Group leases various offices. Rental contracts are typically made for fixed periods of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, all leases were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Notes to the Consolidated Financial Statements



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.25 Leases *(continued)*

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the group under residual value guarantees;
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- any restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.26 Research and development expenses

Research expenditure is recognized as an expense as incurred.

Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalized as intangible assets when the following recognition criteria are fulfilled:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Other development expenditures that do not meet those criteria are recognized as expenses as incurred. Development costs previously recognized as expenses are not recognized as assets in subsequent periods. Capitalized development costs are amortized from the point at which the assets are ready for use on a straight-line basis over their estimated useful lives.

2.27 Segment reporting

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

2.28 Dividend distribution

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

Notes to the Consolidated Financial Statements



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.29 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

The Group's businesses are principally conducted in RMB, which is exposed to foreign currency risk with respect to transactions denominated in currencies other than RMB. Foreign exchange risk arises from recognized assets and liabilities and net investments in foreign operations. The Group did not enter into any forward contract to hedge its exposure to foreign currency risk for the year ended December 31, 2020 and 2019.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

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

Currency denomination	Assets		Liabilities	
	As at December 31,		As at December 31,	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
USD	390	–	–	–
HKD	112,343	75,997	44,603	–
	112,733	75,997	44,603	–

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

As at December 31, 2020, if RMB had weakened/strengthened by 5% against the HKD with all other variables held constant, loss before income tax for the year ended December 31, 2020 would have been RMB3,387,000 lower/higher (2019: profit before tax would have been RMB3,800,000 higher/lower). The impact of exchange fluctuations of USD is not significant as at December 31, 2020 and 2019.

(ii) Fair value interest rate risk

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

Other than interest-bearing bank deposits, the Group has no other significant interest-bearing assets. The directors of the Company do not anticipate there is any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank deposits are not expected to change significantly.

Notes to the Consolidated Financial Statements



3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Fair value interest rate risk (continued)

As at December 31, 2020 and 2019, the Group's interest-bearing borrowings at fixed rates were as follows:

	As at December 31,	
	2020 RMB'000	2019 RMB'000
Borrowings at fixed rate	1,013,467	1,161,600

If the fixed interest rate on borrowings had been higher/lower by 50 basis points with all other variables held constant, the fair value of the borrowings would have changed mainly as a result of higher/lower interest expenses of RMB5,067,000 (2019: RMB5,808,000) on fixed rate borrowings.

(iii) Price risk

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

(b) Credit risk

The Group is exposed to credit risk primarily in relation to its cash and cash equivalents, restricted bank deposits and term deposit with original maturity over three months placed with banks and financial institutions as well as accounts receivables and other receivables. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(i) Risk management

To manage risk arising from cash and cash equivalents, restricted bank deposits and term deposit with original maturity over three months, the Group only transacts with state-owned or reputable financial institutions in Hong Kong and mainland China. There has been no recent history of default in relation to these financial institutions.

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

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to the expected credit loss model:

- Accounts receivables
- Other receivables

While cash and cash equivalents, restricted bank deposits, and term deposit with original maturity over three months, are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial as they were placed in reputable institutions in Hong Kong and mainland China with sound credit ratings.

Accounts receivables

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 share credit risk characteristics and the days past due.

Notes to the Consolidated Financial Statements



3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Accounts receivables (continued)

The expected loss rates are based on the aging profiles of accounts receivables over a period of 48 months before the December 31, 2020 or January 1, 2020 respectively and the corresponding historical credit losses expected within this period. These historical loss rates are then adjusted to reflect current and forward-looking information on macro-economic factors affecting the ability of the customers to settle the receivables. The Group has identified the “urban per capita disposable income” of the PRC in which it sells its services to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor in different scenarios.

On such basis, the loss allowance as at December 31, 2020 and 2019 was determined as follows for accounts receivables:

	Current RMB'000	Up to 3 months past due RMB'000	3 to 6 months past due RMB'000	6 to 12 months past due RMB'000	Over 1 year past due RMB'000	Total RMB'000
As at December 31, 2020						
On collective basis						
Expected loss rate	6.67%	5.29%	10.55%	19.19%	61.99%	19.23%
Gross carrying amount	227,584	36,718	22,883	24,274	83,443	394,902
Loss allowance provision	15,190	1,943	2,415	4,658	51,726	75,932
On individual basis						
Expected loss rate	-	-	-	-	100.00%	100.00%
Gross carrying amount	-	-	-	-	96,875	96,875
Loss allowance provision	-	-	-	-	96,875	96,875

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Accounts receivables (continued)

	Current RMB'000	Up to 3 months past due RMB'000	3 to 6 months past due RMB'000	6 to 12 months past due RMB'000	Over 1 year past due RMB'000	Total RMB'000
As at December 31, 2019						
On collective basis						
Expected loss rate	3.46%	3.14%	3.95%	4.26%	4.48%	3.72%
Gross carrying amount	314,265	60,139	36,556	48,822	103,805	563,587
Loss allowance provision	10,888	1,887	1,443	2,081	4,650	20,949
On individual basis						
Expected loss rate	-	-	-	-	77.40%	77.40%
Gross carrying amount	-	-	-	-	39,860	39,860
Loss allowance provision	-	-	-	-	30,851	30,851

The loss allowances for accounts receivables as at December 31, reconcile to the opening loss allowances as follows:

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
At the beginning of the year	51,800	11,404
Impairment provision	121,007	40,396
At the end of the year	172,807	51,800

The directors of the Company have carefully re-assessed the lifetime expected credit loss of accounts receivables as at December 31, 2020, and increased the expected credit loss rate as at December 31, 2020 to reflect the adverse impact of COVID-19 outbreak to the macroeconomic environment and the PRC entertainment industry.

Notes to the Consolidated Financial Statements



3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Other receivables

Other receivables primarily comprise balances resulted from the Group's principal activities with various business partners primarily in the PRC entertainment industry. The impairment loss of these financial assets carried at amortized cost is measured based on the twelve months expected credit loss. The Directors consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations; and
- significant changes in the expected performance and behaviour of the borrowers, including changes in the payment status of borrowers and changes in the operating results of the borrowers.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. Under such case, the other receivables are classified as stage 2 and subject to lifetime expected losses provision. When the other receivables became past due for more than 90 days, they are treated as credit-impaired and therefore classified as stage 3.

A default on a financial asset is when the counterparty fails to make contractual payments when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where other receivables have been written off, the Company continues to engage in follow-up actions such as enforcement activities to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets *(continued)*

Other receivables (continued)

Management uses three categories for other receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit rating companies including Moody's.

A summary of the assumptions underpinning the Group's expected credit loss model on other receivables is as follows :

Category	The Group's definition of category	Basis for recognition of expected credit loss provision
Stage 1	Other receivables whose credit risk is in line with original expectations and/or past due for less than 30 days.	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Stage 2	Other receivables for which a significant increase has occurred compared to original expectations; A significant increase in credit risk is presumed if interest and/or principal repayments are past due for more than 30 days but less than 90 days.	Lifetime expected losses
Stage 3	Interest and/or principal repayments are more than 90 days past due or it becomes probable a customer will enter bankruptcy.	Lifetime expected losses

Notes to the Consolidated Financial Statements



3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Other receivables (continued)

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of debtors, and adjusts for forward-looking macroeconomic data.

The Group provides for credit losses against other receivables as follows:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
As at December 31, 2020				
Gross carrying amount				
Deposits and receivables for online entertainment ticketing, e-commerce and other services	684,189	9,605	223,046	916,840
Amounts due from related parties	54,567	–	55,700	110,267
Receivables for investment in movies and TV series	50,823	–	25,339	76,162
Loan to third parties	42,000	–	105,480	147,480
Others	19,948	–	2,367	22,315
	851,527	9,605	411,932	1,273,064

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Other receivables (continued)

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Loss allowance				
Deposits and receivables for online entertainment ticketing, e-commerce and other services	3,385	710	161,432	165,527
Amounts due from related parties	25	–	36,380	36,405
Receivables for investment in movies and TV series	1,696	–	18,584	20,280
Loan to third parties	369	–	73,678	74,047
Others	177	–	2,367	2,544
	5,652	710	292,441	298,803
Expected credit loss rate	0.66%	7.39%	70.99%	23.47%

During the year ended December 31, 2020, the Group has recognized allowance for impairment of approximately RMB297,349,000 (2019: RMB1,454,000) under the twelve months and lifetime expected losses method.

As at December 31, 2020, the maximum credit risk exposure of other receivables amounted to approximately RMB1,273,064,000.

(c) Liquidity risk

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

Notes to the Consolidated Financial Statements



3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
As at December 31, 2020				
Accounts payables	289,209	–	–	289,209
Other payables, accruals and other liabilities (excluding accrual for payroll and welfare payable and other taxes liabilities)	1,402,884	–	–	1,402,884
Borrowings	1,031,091	–	–	1,031,091
Lease liabilities	15,132	9,161	–	24,293
	2,738,316	9,161	–	2,747,477
As at December 31, 2019				
Accounts payables	367,657	–	–	367,657
Other payables, accruals and other liabilities (excluding accrual for payroll and welfare payable and other taxes liabilities)	1,128,130	–	–	1,128,130
Borrowings	1,174,321	–	–	1,174,321
Lease liabilities	14,715	15,132	19,101	48,948
	2,684,823	15,132	19,101	2,719,056

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital management

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

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

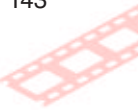
The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and lease liabilities, less cash and cash equivalents, and liquid investments which are financial assets held at fair value through profit or loss. Total capital is calculated as "equity" as shown in the consolidated statement of financial position. As at December 31, 2020 and 2019, the Group has a net cash position.

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at December 31, 2020 and 2019 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Notes to the Consolidated Financial Statements



3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

The following table presents the Group's assets that are measured at fair value as at December 31, 2020.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
Investment in wealth management products	–	–	195,748	195,748
Investment in movies and TV series	–	–	202,116	202,116
Unlisted investments	–	–	25,000	25,000
Listed investments	3,313	–	–	3,313
	3,313	–	422,864	426,177
Financial assets at fair value through other comprehensive income				
Listed investments	259,617	–	–	259,617
Unlisted investments	–	–	56,648	56,648
	259,617	–	56,648	316,265

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

The following table presents the Group's assets that are measured at fair value as at December 31, 2019.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
Investment in wealth management products	–	–	267,717	267,717
Investment in movies and TV series	–	–	214,006	214,006
Unlisted investments	–	–	48,568	48,568
Listed investments	4,754	–	–	4,754
	4,754	–	530,291	535,045
Financial assets at fair value through other comprehensive income				
Listed investments	298,369	–	–	298,369
Unlisted investments	–	–	58,002	58,002
	298,369	–	58,002	356,371

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

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

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

Notes to the Consolidated Financial Statements



3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

Specific valuation techniques used to value financial instruments include:

- Dealer quotes for similar instruments;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

During the years ended December 31, 2020 and 2019, there was no transfer between level 1, 2 and 3 for recurring fair value measurements.

Valuation processes of the Group (Level 3)

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

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

The investment in wealth management products mainly represent the investments in wealth management products issued by banks in the PRC with non-guaranteed principal and floating return of investment. The Group used discounted cash flows approach to the fair value of the financial product as at period end. Due to the short period and low expected return rate of 2.6% per annum as at December 31, 2020 (2019: 2.65% to 4.10% per annum), the Group considered the fair value of these wealth management products approximate their costs.



Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

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

The investment in movies and TV series mainly represent the investments in certain movies and TV series. The Group used discounted cash flows approach to evaluate the fair value of the investment in movies and TV series as at year end. The fair value of most investments approximate the cost and relevant fair value gain/loss are minimal because these movies and TV series were in the early stage of production and it has not been a long time since the Group's investments in them, and certain fair value loss of the investments which will be broadcasted in the near future amounting to approximately RMB27,490,000 had been recognized under "revenue" for the year ended December 31, 2020 (Note 20(b)).

The unlisted investments represent the investments in certain privately owned companies. The Group used discounted cash flows approach to evaluate the fair value of the unlisted investments as at December 31, 2020. Besides, management is of the view that there is no significant change in fair value of the unlisted investments which are acquired close to December 31, 2020, during the year ended December 31, 2020, unless there is available information about latest round of financing.

If the fair values of financial assets and liabilities at fair value through profit or loss held by the Group had been 10% higher/lower, the loss before income tax for the year ended December 31, 2020 would have been approximately RMB42,618,000 lower/higher (2019: profit before income tax would have been RMB53,505,000 higher/lower).

The carrying amounts of the Group's financial assets and liabilities including cash and cash equivalents, restricted bank deposits, term deposit with original maturity over three months, accounts receivables and other receivables, accounts payables, other payables and borrowings approximate to their fair values due to their short maturities.

Notes to the Consolidated Financial Statements



4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Recoverability of non-financial assets

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of a CGU is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a seven year period. Cash flows beyond the seven year period are extrapolated using the estimated growth rates. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates. Details of impairment charge, key assumptions which are made by the management and third-party valuer and impact of possible changes in key assumptions are disclosed in Note 16. Based on assessment, the management and directors of the Company are of the view that there is no impairment of goodwill as at December 31, 2020.

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

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

Notes to the Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(b) Useful lives and amortization charges of intangible assets

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

The current estimated useful lives are stated in Note 2.6. If the estimated amortization lives of trademarks, licenses, software, business cooperation agreement and contractual customer relationship had been increased/decreased by 10%, the amortization expenses of intangible assets would have been decreased/increased by approximately RMB3,658,000 and RMB4,687,000 for the year ended December 31, 2020 (2019: RMB14,633,000 and RMB12,702,000).

(c) Current and deferred income taxes

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

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

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

Notes to the Consolidated Financial Statements



4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(d) Recognition of share-based compensation expenses

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

(e) Measurement of the expected credit losses

The measurement of the expected credit losses for financial assets measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Explanation of the inputs, assumptions and estimation techniques used in measuring expected credit loss is further detailed in Note 3.1(b).

A number of judgements are also required in applying the accounting requirements for measuring expected credit loss, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of expected credit loss; and
- Establishing the number and relative weightings for forward-looking scenarios and the associated expected credit loss.

5 SEGMENT INFORMATION

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the chief operating decision-makers, being the executive directors of the Group.

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

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

As at December 31, 2020 and 2019, substantially all of the non-current assets were located in the PRC.

Notes to the Consolidated Financial Statements

6 REVENUE

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
Online entertainment ticketing services	756,548	2,303,249
Entertainment content services	380,717	1,381,238
Advertising services and others	255,915	567,477
	1,393,180	4,251,964
(Loss)/income from movies and TV series investment (Note 20(b))	(27,490)	15,550
Total revenue	1,365,690	4,267,514

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
Revenue at a point in time	799,139	2,454,502
Revenue over time	594,041	1,797,462
Total revenue (excluding (loss)/income from movies and TV series investment)	1,393,180	4,251,964

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
Revenue recognized as an agent		
– Online entertainment ticketing services	756,548	2,303,249
– Advertising services and others	113,226	191,630
Revenue recognized as a principal		
– Entertainment content services	380,717	1,381,238
– Advertising services and others	142,689	375,847
Total revenue (excluding (loss)/income from movies and TV series investment)	1,393,180	4,251,964

Notes to the Consolidated Financial Statements

7 EXPENSES BY NATURE

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
Staff costs excluding share options granted to directors and employees (<i>Note 9</i>)	373,455	457,198
Marketing and promotion expenses	280,210	1,283,292
Content distribution and promotion cost	188,670	349,901
Content production cost	169,088	242,558
Ticketing system cost	144,892	537,205
Amortization of intangible assets (<i>Note 16</i>)	141,131	137,638
Internet infrastructure cost	130,721	243,381
Share options granted to directors and employees (<i>Note 9</i>)	72,603	103,228
Other professional expenses	51,933	56,163
Outsourcing expenses	18,354	22,350
Depreciation of property, plant and equipment (<i>Note 14</i>)	16,530	14,444
Depreciation of right-of-use assets (<i>Note 15</i>)	13,666	11,855
Auditor's remuneration	5,843	4,831
Tax and levies	4,374	32,528
Rental expense for short-term and low-value leases (<i>Note 15</i>)	3,548	5,162
Impairment provision for inventory (<i>Note 22</i>)	–	4,978
Listing expenses	–	3,243
Other expenses	52,744	96,014
Total cost of revenues, selling and marketing expenses and general and administrative expenses	1,667,762	3,605,969

During the years ended December 31, 2020, the Group incurred expenses for the purpose of research and development of approximately RMB213,062,000 (2019: RMB220,542,000), which comprised employee benefits expenses of RMB207,977,000 (2019: RMB212,582,000).

Notes to the Consolidated Financial Statements

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

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
Other income		
Government subsidies (a)	120,689	40,446
Tax credit of input tax additional deduction	10,106	11,962
	130,795	52,408
Other (losses)/gains, net		
Fair value (loss)/gain on wealth management products, listed and unlisted investments classified as financial assets at fair value through profit or loss (Note 20)	(18,269)	18,761
Fair value loss on convertible bonds classified as financial liabilities at fair value through profit or loss	–	(1,607)
Loss on disposal of property, plant and equipment (Note 14)	(208)	(1,075)
Loss on liquidation of subsidiaries	–	(9,803)
Gains on COVID-19 rent concessions (Note 15)	1,281	–
Others	2,685	(2,440)
	(14,511)	3,836

- (a) During the year ended December 31, 2020, the Group received unconditional subsidies amounting to a total of approximately RMB118,690,000 in respect of certain corporate development funding programs operated by the PRC government of which certain of the Group's key operating subsidiaries were eligible and successfully applied.

Notes to the Consolidated Financial Statements



9 EMPLOYEE BENEFIT EXPENSES

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
Wages, salaries and bonuses	321,822	360,767
Share-based compensation expenses	72,603	103,228
Welfare, medical and other expenses	48,449	60,134
Contributions to pension plans	3,184	36,297
	446,058	560,426

Majority of the Group's contributions to pension plans are related to the local employees in the PRC. All local employees of the subsidiaries in the PRC participate in employee social security plans established in the PRC, which cover pension, medical and other welfare benefits. The plans are organised and administered by the governmental authorities. Except for the contributions made to these social security plans, the Group has no other material commitments owing to the employees. According to the relevant regulations, the portion of premium and welfare benefit contributions that should be borne by the companies within the Group as required by the above social security plans are principally determined based on percentages of the basic salaries of employees, subject to certain ceilings imposed. These contributions are paid to the respective labour and social welfare authorities and are expensed as incurred.

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include no director for the year ended December 31, 2020 (2019: 1), whose emoluments are reflected in the analysis shown in Note 38. The emoluments payable to the remaining 5 individuals during year ended December 31, 2020 (2019: 4) are as follows:

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
Wages, salaries and bonuses	7,462	8,338
Contributions to pension plans	29	185
Share-based compensation expenses	53,065	66,641
Welfare, medical and other expenses	238	285
	60,794	75,449

Notes to the Consolidated Financial Statements

9 EMPLOYEE BENEFIT EXPENSES (continued)

Five highest paid individuals (continued)

The emoluments fell within the following bands:

	Number of individuals	
	Year ended December 31,	
	2020	2019
Emolument bands		
HKD5,000,001 – HKD10,000,000	2	–
HKD10,000,001 – HKD20,000,000	2	2
HKD20,000,001 – HKD30,000,000	1	1
HKD30,000,001 – HKD70,000,000	–	1

During the years ended December 31, 2020 and 2019, no director or the five highest paid individuals received any emolument from the Group as an inducement to join or upon joining the Group, leave the Group or as compensation for loss of office.

10 FINANCE COSTS, NET

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Finance income:		
– Interest income from bank deposits	15,891	29,006
Finance costs:		
– Interest expense on bank borrowings	(36,371)	(40,860)
– Unwinding of interest on lease liabilities (Note 15(b))	(1,462)	(1,905)
	(37,833)	(42,765)
Finance costs, net	(21,942)	(13,759)

Notes to the Consolidated Financial Statements

11 INCOME TAX EXPENSES

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
Current income tax	48,368	230,296
Deferred income tax (Note 21)	(30,717)	(27,612)
Income tax expenses	17,651	202,684

The tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the tax rate of 25% for the years ended December 31, 2020 and 2019, being the tax rate of the major subsidiaries of the Group. The differences are analysed as follows:

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
(Loss)/profit before income tax	(628,621)	661,541
Share of losses of investments accounted for using the equity method	2,535	639
	(626,086)	662,180
Tax calculated at a tax rate of 25%	(156,522)	165,545
Tax effects of:		
– Effects of different tax rates applicable to different subsidiaries of the Group	9,547	(3,402)
– Expenses not deductible for tax purposes	18,429	26,072
– Tax losses not recognized for deferred tax assets	141,888	14,469
– Utilisation of tax losses previously not recognized	(621)	–
– Underprovision for prior years	4,930	–
Income tax expenses	17,651	202,684



Notes to the Consolidated Financial Statements

11 INCOME TAX EXPENSES *(continued)*

(a) 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.

(b) 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, 2020 and 2019.

(c) 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, 2020 and 2019. 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.

(d) 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, 2020 and 2019.

Notes to the Consolidated Financial Statements



12 (LOSSES)/EARNINGS PER SHARE

(a) Basic (losses)/earnings per share

	Year ended December 31,	
	2020	2019
(Loss)/profit attributable to equity holders of the Company (RMB'000)	(646,272)	463,456
Weighted average number of ordinary shares in issue (thousand)	1,113,499	1,094,477
Weighted average number of vested restricted shares in issue (thousand)	19,405	16,559
Total weighted average number of shares in issue (thousand)	1,132,904	1,111,036
Basic (losses)/earnings per share (in RMB)	(0.57)	0.42

Basic (losses)/earnings per share are calculated by dividing the loss/(profit) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue and weighted average number of vested restricted shares in issue during the respective years. The weighted average number of shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the reorganization for the initial public offering and listing of the Company (the "Reorganization").

Notes to the Consolidated Financial Statements

12 (LOSSES)/EARNINGS PER SHARE *(continued)*

(b) Diluted (losses)/earnings per share

	Year ended December 31,	
	2020	2019
(Loss)/profit attributable to equity holders of the Company (RMB'000)	(646,272)	463,456
Total weighted average number of shares in issue (thousand)	1,132,904	1,111,036
Adjustments for share-based compensation – share options (thousand)	–	9,312
Adjustments for share-based compensation – RSUs (thousand)	–	1,069
Weighted average number of shares for diluted earnings per share (thousand)	1,132,904	1,121,417
Diluted (losses)/earnings per share (in RMB)	(0.57)	0.41

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

For the year ended December 31, 2020, the Company had dilutive potential ordinary shares of share options and restricted stock units (“RSUs”) granted to employee (Note 31). As the Group incurred losses for the year ended December 31, 2020, the potential ordinary shares were not included in the calculation of the diluted losses per share as their inclusion would be anti-dilutive. Accordingly, diluted losses per share for the year ended December 31, 2020 are the same as basic losses per share.

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

Notes to the Consolidated Financial Statements

13 DIVIDENDS

No dividends have been paid or declared by the Company during the year ended December 31, 2020 and 2019.

14 PROPERTY, PLANT AND EQUIPMENT

	Office equipment RMB'000	Computer equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
Year ended December 31, 2019				
Opening net book amount	7,290	11,040	12,580	30,910
Business combination	378	–	–	378
Additions	3,098	15,140	526	18,764
Disposals	(350)	(725)	–	(1,075)
Depreciation	(3,443)	(7,418)	(3,583)	(14,444)
Liquidation of subsidiaries	(112)	–	–	(112)
Closing net book amount	6,861	18,037	9,523	34,421
As at December 31, 2019				
Cost	11,844	31,518	16,092	59,454
Accumulated depreciation	(4,983)	(13,481)	(6,569)	(25,033)
Net book amount	6,861	18,037	9,523	34,421
Year ended December 31, 2020				
Opening net book amount	6,861	18,037	9,523	34,421
Additions	587	7,821	–	8,408
Disposals	(11)	(206)	–	(217)
Depreciation	(3,083)	(9,761)	(3,686)	(16,530)
Closing net book amount	4,354	15,891	5,837	26,082
As at December 31, 2020				
Cost	12,379	39,045	16,092	67,516
Accumulated depreciation	(8,025)	(23,154)	(10,255)	(41,434)
Net book amount	4,354	15,891	5,837	26,082

Notes to the Consolidated Financial Statements

14 PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
Cost of revenue	8,395	7,418
Selling and marketing expenses	2,038	991
General and administrative expenses	6,097	6,035
	16,530	14,444

15 LEASES

(a) Balance recognized in the consolidated statement of financial position relating to leases

Right-of-use assets – leased properties

	RMB'000
Balance at December 31, 2019 and January 1, 2020	35,305
Depreciation	(13,666)
Balance as at December 31, 2020	21,639

Lease liabilities

	As at December 31, 2020 RMB'000	As at December 31, 2019 RMB'000
Current portion	14,216	14,027
Non-current portion	8,620	22,282
Total lease liabilities	22,836	36,309

As at December 31, 2020, the carrying amounts of the Group's lease liabilities were denominated in RMB.

Notes to the Consolidated Financial Statements

15 LEASES (continued)

(b) Amounts recognized in the consolidated statement of comprehensive income relating to leases

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
Depreciation of right-of-use assets	13,666	11,855
Unwinding of interests on lease liabilities	1,462	1,905
Gains on COVID-19 rent concessions	(1,281)	–
Rental expenses for short-term and low-value leases	3,548	5,162

During the year ended December 31, 2020, the Group received rent concessions from property owners during certain periods of severe social distancing and travel restriction measures introduced by the PRC government to contain the spread of COVID-19.

These aforementioned rent concessions amounted to a total of approximately RMB1,281,000. Pursuant to the applicable practical expedients under IFRS 16, the Group has recognised all of these concessions in the Group's consolidated statement of comprehensive income under "other (losses)/gains" during the year ended December 31, 2020.

(c) Amounts recognized in the consolidated statement of cash flows relating to leases

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
Cash flows from operating activities		
Payments for short-term and low-value leases (i)	4,693	5,374
Payments for interest elements of lease liabilities	1,462	1,905
Cash flows used in financing activities		
Principal elements of lease payments	13,654	12,755

(i) Payments for short-term and low-value leases were not shown separately, but included in the line of "(loss)/profit before income tax" in respect of the net cash used in operations which were presented in Note 32(a) using the indirect method.

Notes to the Consolidated Financial Statements

16 INTANGIBLE ASSETS

	Goodwill	Trademarks	Software	Business cooperation agreement	Customers' relationship	Licenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2019							
Opening net book amount	4,451,974	592,761	12,643	179,748	153,640	–	5,390,766
Business combination	52,910	–	259	–	–	40,000	93,169
Additions	–	–	3,637	–	–	–	3,637
Liquidation of subsidiaries	–	–	(8,861)	–	–	–	(8,861)
Amortization	–	(68,396)	(1,735)	(49,020)	(15,894)	(2,593)	(137,638)
Closing net book amount	4,504,884	524,365	5,943	130,728	137,746	37,407	5,341,073
As at December 31, 2019							
Cost	4,504,884	683,955	8,087	245,111	174,832	40,000	5,656,869
Accumulated amortization	–	(159,590)	(2,144)	(114,383)	(37,086)	(2,593)	(315,796)
Net book amount	4,504,884	524,365	5,943	130,728	137,746	37,407	5,341,073
Year ended December 31, 2020							
Opening net book amount	4,504,884	524,365	5,943	130,728	137,746	37,407	5,341,073
Additions	–	–	4,179	–	–	–	4,179
Amortization	–	(68,396)	(3,377)	(49,020)	(15,894)	(4,444)	(141,131)
Closing net book amount	4,504,884	455,969	6,745	81,708	121,852	32,963	5,204,121
As at December 31, 2020							
Cost	4,504,884	683,955	12,266	245,111	174,832	40,000	5,661,048
Accumulated amortization	–	(227,986)	(5,521)	(163,403)	(52,980)	(7,037)	(456,927)
Net book amount	4,504,884	455,969	6,745	81,708	121,852	32,963	5,204,121

Notes to the Consolidated Financial Statements



16 INTANGIBLE ASSETS (continued)

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

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
Cost of revenue	137,756	135,904
Selling and marketing expenses	1,372	230
General and administrative expenses	2,003	1,504
	141,131	137,638

Goodwill impairment

The goodwill balance mainly arose from 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, and the acquisition of Hangzhou Soushi Network Co., Ltd (“Hangzhou Soushi”) in 2019. Goodwill is attributable to the acquired market share and economies of scale expected to be derived from combining with the operations of the Group.

Upon completion of acquisition of 100% equity interest in Beijing Weige Shidai and Ruihai Fangyuan in 2017, and Hangzhou Soushi in 2019, the Group integrated the business (including the management, assets, customers, users and systems) of Beijing Weige Shidai, Ruihai Fangyuan and Hangzhou Soushi with the Group’s movie ticketing business in order to improve the operation efficiency. The management considers that the business of Beijing Weige Shidai, Ruihai Fangyuan, Hangzhou Soushi and the Group’s remaining 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, goodwill of approximately RMB4,504,884,000 arising from the acquisition of Beijing Weige Shidai, Ruihai Fangyuan and Hangzhou Soushi was allocated to the cash generating unit (“CGU”) of the Group.

Notes to the Consolidated Financial Statements

16 INTANGIBLE ASSETS (continued)

Goodwill impairment (continued)

The following is a summary of goodwill allocation for the Group:

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
At the beginning of the year		
Opening	4,504,884	4,451,974
Addition	–	52,910
At the end of the year	4,504,884	4,504,884

Impairment review on the goodwill of the Group has been conducted by the management as at December 31, 2020. 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 seven-year period.

The key parameters used for value-in-use calculations on the Group include revenue growth rates, discount rate, gross margin and terminal growth rate:

	As at December 31, 2020	As at December 31, 2019
Gross margin	59.0%~60.5%	57.8%~62.5%
Revenue growth rate of the first five years	209.2% from 2020 to 2021, 9.1%~22.9% from 2022 to 2025	16.8%~20.7%
Terminal growth rate	2.6%	2.6%
Pre-tax discount rate	17.86%	16.8%

Notes to the Consolidated Financial Statements



16 INTANGIBLE ASSETS (continued)

Goodwill impairment (continued)

i) Revenue growth rates

The revenue growth rates are estimated with reference to the industry growth forecast for the market in which the Group operates. When estimating the revenue growth rate of the first five years, the directors of the Company are of the view that while the total revenue of 2020 decrease by 68% as compared to 2019 due to the impact of COVID-19 outbreak, the PRC entertainment industry will recover substantially in 2021 and PRC movie box office will at least return close to 2019 historic level. As such, the directors of the Company estimated that the total revenue of 2021 will rebound to approximately 2019 historic level. From 2022 onwards, the directors of the Company estimated that PRC movie box office will recapture the growth momentum and exceed the 2019 historic level. Hence, revenue growth rates from 2022 to 2025 are estimated to range between 9.1% and 22.9%.

ii) Discount rate

The discount rate used is pre-tax and reflects market assessments of the time value and the specific risks relating to the industry. The directors have considered the adverse impact of COVID-19 to the estimation of pre-tax discount rate. With the assistance of a valuation performed by a third-party independent valuer, the directors assessed that the pre-tax discount rate for the impairment assessment as at December 31, 2020 would be 17.86% which approximate the discount rate of 16.8% used as at December 31, 2019 on the basis that the recovery of PRC entertainment industry and movie box office is expected to continue.

iii) Gross Margin

The budgeted gross margin of the five years between 59.0% and 60.5% (2019: 57.8%~62.5%) was determined by the management based on past performance, the current market conditions and its expectation for market development.

iv) Terminal growth rate

Cash flows beyond the seven-year period are extrapolated using the estimated terminal growth rates of 2.6% (2019: 2.6%).

Notes to the Consolidated Financial Statements

16 INTANGIBLE ASSETS (continued)

Goodwill impairment (continued)

Under paragraph 33(b) of IAS 36, a period longer than five years can be used as 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 until 2025 will continue for another two years after 2025, during which the annual revenue growth rate will gradually drop from 9.1% in year 2025 to 7.3% in year 2026 and will further drop to a 5.6% in year 2027.

Based on the result of the goodwill impairment testing, the estimated recoverable amount of the business far exceeded its carrying amount as at December 31, 2020 by approximately RMB11,283,433,000 (2019: RMB11,309,546,000).

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.

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

- Revenue is directly related to the value of paid transactions on the Group's platform and box office of the Group's business partners. When predicting revenue, the Group referred to the forecast of China's movie market, as well as the service fee rate and the Group's market share in China.
- For items of cost of revenue that are related to GMV of the Group, the Group referred to current fee rate and GMV projection to project the ticket system cost and internet infrastructure cost.
- The gross margin is determined by the management based on past performance and current market conditions.
- Selling and marketing expenses and general and administrative expenses are based on the Group's structure, business plan and the management's estimates.
- A terminal growth rate of 2.6% 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 17.86%. The discount rate reflects the current market assessments of the time value of money and is based on the estimated cost of capital.

Notes to the Consolidated Financial Statements

16 INTANGIBLE ASSETS (continued)**Goodwill impairment** (continued)

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

	As at December 31,	
	2020 RMB'000	2019 RMB'000
Revenue growth rate decreases by 10%	6,953,000	4,708,000
Terminal growth rate decreases by 10%	11,073,000	10,151,000
Discount rate increases by 5%	10,213,000	10,056,000

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
At the beginning of the year	37,558	37,297
Additions	2,098	900
Share of losses	(2,535)	(639)
At the end of the year	37,121	37,558

Set out below are the associates of the Group as at December 31, 2020, which, in the opinion of the directors, none of the associates was individually significant to the Group. The associates as listed below have capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also the principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Notes to the Consolidated Financial Statements

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

Company name	Date of incorporation	Registered capital (RMB'000)	Percentage of ownership interest attributable to the Group		Principal activities and place of operation
			As at December 31, 2020	As at December 31, 2019	
Shanghai Chengxin Television Media Co., Ltd. (上海橙芯影視傳媒有限公司)	June 7, 2017	3,750	20%	20%	The PRC; Film production and distribution
Shanghai Mila Television Culture Media Co., Ltd. (上海教辣影視文化傳播有限公司)	August 14, 2017	6,250	20%	20%	The PRC; Film and television culture communication
Beijing Yaoying Movie Distribution Co., Ltd. (北京耀影電影發行有限公司)	June 3, 2016	19,600	25%	25%	The PRC; Film distribution
Ningbo Zhenhai Changxiangyuefu Culture Media Co., Ltd. (寧波鎮海唱享樂府文化傳播有限公司)	February 24, 2017	1,000	30%	30%	The PRC; Cultural and artistic communication
Xinjiang Weying Network Technology Co., Ltd. (新疆微影網絡科技有限公司)	December 1, 2015	5,000	30%	30%	The PRC; Movie ticketing services and performance ticketing services
Ningbo Meishan Bonded Port Area Chenhaiwenjia Investment Management Limited Partnership (寧波梅山保稅港區辰海文嘉投資管理合夥企業(有限合夥))	September 18, 2016	6,000	30%	30%	The PRC; Economic and trade consultation, Strategic investment
Shenzhen Jingtian Manlian Original Culture Co., Ltd (深圳市驚嘆漫鍵原創文化有限公司) (a)	December 20, 2017	1,176	15%	–	The PRC; Radio, television, film and sound production

The English names of the associates represent the best effort by the management of the Group in translating their Chinese names as they do not have official English names.

Notes to the Consolidated Financial Statements



17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

The Group determined that it does not have controlling financial interest in above investees, but rather possesses significant influence. The associates as listed above are private companies and there are no quoted market prices available for their shares. There is no contingent liabilities relating to the Group's interest in the associates.

- (a) Management determined that the Group can exercise significant influence over Shenzhen Jingtian Manlian Original Culture Co., Ltd through the board representation, notwithstanding the shareholding is 15%.

The following table reconciles the combined net assets of the Group's associates to the combined carrying amount of the Group's interest in the associates.

	Combined financial information	
	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Reconciliation to carrying amounts:		
Opening net assets as at beginning of the year	66,946	66,970
Capital injection	3,444	3,000
Losses for the year	(11,871)	(3,024)
Closing net assets as at end of the year	58,519	66,946
Percentage of interest	15%-30%	20%-30%
Interest in the associates	15,423	17,458
Goodwill	21,698	20,100
Carrying amount	37,121	37,558

Notes to the Consolidated Financial Statements

18 FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31,	
	2020 RMB'000	2019 RMB'000
Financial assets-fair value		
– Financial assets at fair value through profit or loss	426,177	535,045
– Financial assets at fair value through other comprehensive income	316,265	356,371
Financial assets-amortized cost		
– Accounts receivables	318,970	551,647
– Deposit and other assets (excluding prepayments, staff advances and taxes)	974,261	1,191,633
– Term deposits with original maturity over three months	–	100,000
– Restricted bank deposits	154,000	331,369
– Cash and cash equivalents	2,140,149	1,540,414
	4,329,822	4,606,479
Financial liabilities-amortized cost		
– Accounts payables	289,209	367,657
– Other payables, accruals and other liabilities (excluding accrual for payroll and welfare allowances and other taxes payable)	1,402,884	1,128,130
– Borrowings	1,013,467	1,161,600
– Lease liabilities	22,836	36,309
	2,728,396	2,693,696

Notes to the Consolidated Financial Statements



19 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
At the beginning of the year	356,371	–
Additions (i)	–	372,113
Convertible bonds converted to ordinary shares (<i>Note 20 (c)</i>)	–	20,000
Disposals	(4,402)	(18,178)
Changes in fair value	(16,168)	(30,496)
Currency translation differences	(19,536)	12,932
At the end of the year	316,265	356,371

- (i) On March 12, 2019, the Company and Huanxi Media Group Limited (“Huanxi Media”), a company listed on Main Board of the Stock Exchange of Hong Kong Limited, entered into a subscription agreement, pursuant to which, the Company has conditionally agreed to subscribe for, and Huanxi Media has conditionally agreed to allot and issue to the Company 236,600,000 shares of Huanxi Media representing 7.5% equity interest in Huanxi Media at a total consideration of HKD390,555,620 (equivalent to approximately RMB334,111,000). On March 19, 2019, the subscription was completed and the Company paid all of the consideration. Since the Group has no board seat in the listed company and the investment is intended to hold as strategic investments without trading purpose, management designated this investment as financial assets at fair value through other comprehensive income. The fair value of investment in Huanxi Media is based on quoted market price as at reporting date. During the year ended December 31, 2020, the Group disposed portions of the investment in Huanxi Media in the stock market and realised a gain of approximately RMB178,000 (2019: RMB3,444,000) which was transferred to retained earnings (Note 30).

Notes to the Consolidated Financial Statements

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,	
	2020 RMB'000	2019 RMB'000
Current assets		
Investment in wealth management products (a)	195,748	267,717
Investment in movies and TV series (b)	202,116	214,006
	397,864	481,723
Non-current assets		
Investment in unlisted investments (c)	25,000	48,568
Investment in listed investments (d)	3,313	4,754
	28,313	53,322

(a) Investment in wealth management products

Movements in investment in wealth management products were as follows:

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
At the beginning of the year	267,717	276,269
Additions	615,648	3,692,800
Disposals	(693,999)	(3,718,668)
Changes in fair value	6,382	17,316
At the end of the year	195,748	267,717

Notes to the Consolidated Financial Statements



20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

(a) Investment in wealth management products *(continued)*

The investment in wealth management products mainly represent the investment in wealth management products issued by banks in the PRC and financial institutions in Hong Kong with expected investment income rate ranging from 2.5% to 3.55% per annum for the year ended December 31, 2020 (2019: expected investment income rates ranging from 1.55%~4.10% per annum). The principals and 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)/gains, 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.

As at December 31, 2020, the investment in wealth management product is not pledged (2019: certain investment in wealth management products amounting to RMB259,600,000 were pledged as securities for certain bank borrowings (Note 26)).

(b) Investment in movies and TV series

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

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
At the beginning of the year	214,006	108,447
Additions	46,660	93,919
Disposals	(31,060)	(3,910)
Changes in fair value recognized as revenue <i>(Note 6)</i>	(27,490)	15,550
At the end of the year	202,116	214,006

Notes to the Consolidated Financial Statements

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

(c) Unlisted investments

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

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
At the beginning of the year	48,568	38,801
Additions	–	29,571
Convertible bonds converted to ordinary shares <i>(i)</i>	–	(20,000)
Fair value changes	(23,452)	193
Currency translation differences	(116)	3
At the end of the year	25,000	48,568

(i) During the year ended December 31, 2019, the Company converted a newly invested convertible bond of an unlisted investment into ordinary shares and re-designated these shares to fair value through other comprehensive income.

(d) Listed investments

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
At the beginning of the year	4,754	–
Additions	–	3,488
Fair value changes	(1,199)	1,252
Currency translation differences	(242)	14
At the end of the year	3,313	4,754

Notes to the Consolidated Financial Statements



21 DEFERRED INCOME TAX

The analysis of deferred income tax assets and liabilities is as follows:

	As at December 31,	
	2020 RMB'000	2019 RMB'000
Total gross deferred income tax assets	14,549	14,549
Offsetting	(2,619)	(4,119)
Net deferred income tax assets	11,930	10,430
– to be recovered within 12 months	–	–
– to be recovered after 12 months	11,930	10,430
	11,930	10,430
Total gross deferred income tax liabilities	159,075	189,792
Offsetting	(2,619)	(4,119)
Net deferred income tax liabilities	156,456	185,673
– to be recovered within 12 months	24,439	24,439
– to be recovered after 12 months	132,017	161,234
	156,456	185,673
Deferred income tax liabilities, net	(144,526)	(175,243)

Notes to the Consolidated Financial Statements

21 DEFERRED INCOME TAX *(continued)*

The movement in deferred income tax assets and liabilities during the years ended December 31, 2020 and 2019, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Impairment of accounts receivables and other receivables RMB'000	Others RMB'000	Total RMB'000
As at January 1, 2019	2,851	1,521	4,372
Credit/(charge) to consolidated statement of comprehensive income	10,454	(277)	10,177
As at December 31, 2019	13,305	1,244	14,549
Credit to consolidated statement of comprehensive income	-	-	-
As at December 31, 2020	13,305	1,244	14,549

Notes to the Consolidated Financial Statements



21 DEFERRED INCOME TAX (continued)

Deferred income tax liabilities

	Change in fair value of financial assets at fair value through profit or loss RMB'000	Intangible assets acquired in business combination RMB'000	Total RMB'000
As at January 1, 2019	2,357	194,870	197,227
Charge/(credit) to consolidated statement of comprehensive income	6,541	(23,976)	(17,435)
Business combinations	–	10,000	10,000
As at December 31, 2019	8,898	180,894	189,792
Credit to consolidated statement of comprehensive income	(6,278)	(24,439)	(30,717)
As at December 31, 2020	2,620	156,455	159,075

Deferred income tax assets are recognized for tax losses carrying forward and deductible temporary differences to the extent that realisation of the related tax benefits through future taxable profits is probable. As at December 31, 2020, the Group did not recognize deferred income tax assets in respect of losses and deductible temporary differences of approximately RMB747,570,000 (2019: RMB182,501,000). All of these tax losses will expire within 5 years.

As at December 31, 2019, the PRC subsidiaries of the Group has undistributed earnings of approximately RMB1,129,256,000 (2019: RMB1,123,030,000), which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognized as the parent entity is able to control the timing of distributions of dividends from the PRC subsidiary and is not expected to distribute these profits in the foreseeable future.

Notes to the Consolidated Financial Statements

22 INVENTORIES

	As at December 31,	
	2020 RMB'000	2019 RMB'000
Marketing materials	9,846	21,082
Television and movie scripts	23,733	5,472
Low-value consumables	1,390	1,398
Movie service related merchandises	185	280
	35,154	28,232

During the year ended December 31, 2019, impairment provision of RMB4,978,000 were charged to profit or loss and included in “cost of revenue” (Note 7).

23 ACCOUNTS RECEIVABLES

	As at December 31,	
	2020 RMB'000	2019 RMB'000
Related parties (<i>Note 34</i>)	46,564	11,427
Third parties	445,213	592,020
	491,777	603,447
Less: allowance for impairment (<i>Note 3.1(b)</i>)	(172,807)	(51,800)
	318,970	551,647

Notes to the Consolidated Financial Statements



23 ACCOUNTS RECEIVABLES *(continued)*

- (a) The carrying amounts of the accounts receivables balances approximated to their fair value as at December 31, 2020 and 2019. All the accounts receivables balances were denominated in RMB.
- (b) Aging analysis of the gross accounts receivables based on recognition date is as follows:

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
0-90 days	271,660	362,516
91-180 days	31,383	44,811
181-365 days	33,474	30,401
Over 365 days	155,260	165,719
	491,777	603,447

Notes to the Consolidated Financial Statements

24 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at December 31,	
	2020 RMB'000	2019 RMB'000
Deposits, receivables and prepayments for online entertainment ticketing, e-commerce and other services	916,840	998,089
Prepayment for investments in movies and TV series (a)	879,973	766,662
Amounts due from related parties (Note 34)	110,267	164,501
Receivables from investments in movies and TV series	76,162	118,862
Loans to third parties (b)	147,480	224,758
Others	85,015	177,962
	2,215,737	2,450,834
Less: non-current portion	(63,675)	(113,787)
	2,152,062	2,337,047
Less: allowance for impairment (Note 3.1(b))	(298,803)	(1,454)
	1,853,259	2,335,593

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

(b) The loans to third parties are repayable within 1 year. Except for an interest-free and unsecured loan amounting to approximately RMB42,000,000, the remaining loans are interest-bearing at fixed rates ranging from 5% to 13% per annum and secured by the debtors' certain receivables.

Notes to the Consolidated Financial Statements



25 CASH AND CASH EQUIVALENTS, TERM DEPOSIT WITH ORIGINAL MATURITY OVER THREE MONTHS, AND RESTRICTED BANK DEPOSITS

	As at December 31,	
	2020 RMB'000	2019 RMB'000
Cash and bank balances	2,294,149	1,971,783
Restricted bank deposits (a)	(154,000)	(331,369)
Term deposit with original maturity over three months	–	(100,000)
Cash and cash equivalents	2,140,149	1,540,414
Maximum exposure to credit risk	2,294,149	1,971,783

(a) The restricted bank deposits are held by the accounts as securities for bank borrowings (Note 26).

(b) Bank balances are denominated in the following currencies:

	As at December 31,	
	2020 RMB'000	2019 RMB'000
RMB	1,689,136	808,040
USD	551,859	1,132,399
HKD	53,154	31,344
	2,294,149	1,971,783

Notes to the Consolidated Financial Statements

26 BORROWINGS

	As at December 31,	
	2020 RMB'000	2019 RMB'000
Current		
Bank borrowings – due within one year		
– Secured (a)	340,000	511,600
– Guaranteed (b)	673,467	650,000
	1,013,467	1,161,600

- (a) As at December 31, 2020, bank borrowings of RMB340,000,000 were secured by restricted bank deposits of RMB154,000,000, with fixed rates of 2.84% to 2.90% per annum.

As at December 31, 2019, bank borrowings of RMB252,000,000 were interest-bearing at fixed rate of 4.31% per annum and secured by restricted bank deposits of USD47,499,995 (equivalent to approximately RMB331,369,000) and bank borrowings of RMB259,600,000 were interest-free and secured by certain investment in wealth management products amounting to RMB259,600,000.

- (b) As at December 31, 2020, bank borrowing amounting to RMB673,467,000 was guaranteed by certain subsidiaries of the Group, with fixed rates of 3.50% to 5.85% per annum. As at December 31, 2019, these bank borrowings were guaranteed by certain subsidiaries of the Group with fixed rates of 3.92% to 5.44% per annum.
- (c) The borrowings as at December 31, 2020 and 2019 were all denominated in RMB.

Notes to the Consolidated Financial Statements



27 ACCOUNTS PAYABLES

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

	As at December 31,	
	2020 RMB'000	2019 RMB'000
0-90 days	211,412	222,405
91-180 days	6,561	45,012
181-365 days	26,847	32,641
Over 365 days	44,389	67,599
	289,209	367,657

28 OTHER PAYABLES, ACCRUALS AND OTHER LIABILITIES

	As at December 31,	
	2020 RMB'000	2019 RMB'000
Payables in respect of online entertainment ticketing and e-commerce services	1,112,613	831,386
Payables in respect of share in the box office receipts	130,537	147,690
Amounts due to related parties (<i>Note 34</i>)	58,647	107,865
Loans from third parties (<i>a</i>)	44,603	–
Payroll and welfare payable	66,948	88,772
Other tax liabilities	6,180	21,736
Others	56,484	41,189
	1,476,012	1,238,638

(a) The loans from third parties are interest-free, unsecured and repayable within 1 year.

Notes to the Consolidated Financial Statements

29 SHARE CAPITAL

	Number of ordinary shares	Number of preferred shares	Number of ordinary shares pursuant to restricted share agreement	Share held for restricted share agreement	Total number of shares	Nominal value of shares USD'000	Equivalent nominal value of shares RMB'000
Issued and fully paid:							
As at January 1, 2019	184,550,429	4,831,385	3,855,445	(963,861)	192,273,398	19.2	130
Share subdivision (b)	922,752,145	24,156,925	19,277,225	(4,819,305)	961,366,990	19.2	130
Share redesignation (b)	24,156,925	(24,156,925)	–	–	–	–	–
Issuance of new shares upon listing (c)	132,377,000	–	–	–	132,377,000	2.6	18
Issuance of new shares for conversion of convertible bond (c)	27,702,280	–	–	–	27,702,280	0.6	3
Restricted shares vested	–	–	–	4,819,305	4,819,305	0.1	1
Issuance of new shares under share option scheme	3,500,725	–	–	–	3,500,725	–	–
As at December 31, 2019	1,110,489,075	–	19,277,225	–	1,129,766,300	22.5	152
As at January 1, 2020	1,110,489,075	–	19,277,225	–	1,129,766,300	22.5	152
Restricted shares vested	–	–	767,356	–	767,356	–	–
Issuance of new shares under share option scheme	5,943,711	–	–	–	5,943,711	0.1	1
As at December 31, 2020	1,116,432,786	–	20,044,581	–	1,136,477,367	22.6	153

Notes to the Consolidated Financial Statements



29 SHARE CAPITAL (continued)

- (a) The Company was incorporated in the Cayman Islands on December 8, 2017 with authorized share capital of USD50,000 divided into 500,000,000 shares of USD0.0001 each.
- (b) On January 11, 2019, the shareholders of the Company resolved that all the issued and unissued ordinary shares and preferred shares were to be redesignated as ordinary shares on a one-for-one basis immediately before listing (the “Redesignation”). Following the Redesignation, each issued and unissued ordinary share of then par value of USD0.0001 each will be subdivided into five shares of par value of USD0.00002 each (the “Subdivision”). Upon listing and the completion of the Redesignation and Subdivision, the authorized share capital of the Company would increase to 2,500,000,000 ordinary shares of par value USD0.00002 each (the “Subdivision Shares”).
- (c) On February 4, 2019, upon the listing on the Main Board of the Stock Exchange of Hong Kong Limited, the Company issued 132,377,000 new ordinary shares at par value of USD0.00002 per share for cash consideration of HKD14.8 each, and raised gross proceeds of approximately HKD1,959,180,000 (equivalent to approximately RMB1,675,285,000). Meanwhile, the convertible bond was mandatorily and automatically converted to 27,702,280 new ordinary shares at par value of USD0.00002 per share. The respective share capital amount was approximately RMB153,189.

Notes to the Consolidated Financial Statements

30 RESERVES

	Share premium	Capital reserves	Financial assets at fair value through		Convertible bonds	Share-based compensation reserve	Other reserves	Total
			Currency translation differences	other comprehensive income				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2019	-	5,592,299	296	-	(3,676)	576,452	(8,400)	6,156,971
Issuance of new shares	1,675,267	-	-	-	-	-	-	1,675,267
Issuance of new shares for conversion of convertible bond	350,660	-	-	-	-	-	-	350,660
Share issuance costs (a)	(43,054)	-	-	-	-	-	-	(43,054)
Issuance of new shares under share option scheme	44,922	-	-	-	-	(44,626)	-	296
Currency translation difference	-	-	66,715	-	-	-	-	66,715
Changes in the FVOCI	-	-	-	(30,496)	-	-	-	(30,496)
Transfer to retained earnings	-	-	-	3,444	-	-	-	3,444
Share-based compensation expenses	-	-	-	-	-	103,228	-	103,228
Transfer of vested restricted share unit from treasury shares	249,103	-	-	-	-	(249,103)	-	-
As at December 31, 2019	2,276,898	5,592,299	67,011	(27,052)	(3,676)	385,951	(8,400)	8,283,031
As at January 1, 2020	2,276,898	5,592,299	67,011	(27,052)	(3,676)	385,951	(8,400)	8,283,031
Issuance of new shares under share option scheme	79,700	-	-	-	-	(79,224)	-	476
Currency translation difference	-	-	(75,624)	-	-	-	-	(75,624)
Changes in the FVOCI	-	-	-	(16,168)	-	-	-	(16,168)
Transfer to retained earnings	-	-	-	(178)	-	-	-	(178)
Share-based compensation expenses	-	-	-	-	-	72,603	-	72,603
As at December 31, 2020	2,356,598	5,592,299	(8,613)	(43,398)	(3,676)	379,330	(8,400)	8,264,140

Notes to the Consolidated Financial Statements **30 RESERVES** *(continued)*

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

31 SHARE INCENTIVE PLAN

The share-based compensation expenses recognized during years ended December 31, 2020 and 2019 are summarized in the following table:

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
Share-based compensation expenses	72,603	103,228

(a) 2016 ESOP of Tianjin Maoyan Weying

Before the Reorganization and since 2016, Tianjin Maoyan Weying adopted 2016 ESOP, under which Tianjin Maoyan Weying granted share options to its qualified employees and directors on annual basis. Under the 2016 ESOP, Tianjin Maoyan Weying's total equity will be divided to 8.3 billion virtual shares, among which 830 million virtual shares held by the ESOP Platforms for the purpose of share-based payments. The vesting period of the share options under the 2016 ESOP is 4 years.

Notes to the Consolidated Financial Statements

31 SHARE INCENTIVE PLAN (continued)

(a) 2016 ESOP of Tianjin Maoyan Weying (continued)

Movements of virtual share options outstanding and their related weighted average exercise prices are as follows:

	Average exercise price	Number of virtual share options	Equivalent number of share options of the Company
Outstanding balance as at			
January 1, 2018	RMB0.0067	438,694,805	6,765,454
Granted	RMB1.4800	350,938,992	5,412,104
Forfeited	RMB0.4382	(15,359,723)	(236,874)
Transfer to the share options of the company under Pre-IPO Share option scheme	RMB0.5541	(524,274,074)	(8,085,239)
Transfer to restricted shares	RMB0.0067	(250,000,000)	(3,855,445)
Outstanding balance as at			
December 31, 2018, 2019 and 2020		–	–

As part of the Reorganization, pursuant to a resolution of the board on July 23, 2018, the 2016 ESOP of Tianjin Maoyan Weying was replaced by the newly adopted ESOP Plan of the Company, and the relevant granted virtual share options under 2016 ESOP of Tianjin Maoyan Weying have been replaced by the share options of the Pre-IPO Share Option Scheme of the Company and the restricted shares of the Company, respectively.

(b) ESOP Plan of the Company

In order to provide incentives and rewards to directors, senior management and employees of the Group and other eligible individuals and entities, the Company adopted the ESOP Plan on July 23, 2018. The ESOP Plan include Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and the Post-IPO RSU Scheme.

Notes to the Consolidated Financial Statements



31 SHARE INCENTIVE PLAN (continued)

(b) ESOP Plan of the Company (continued)

The total number of shares issued or issuable pursuant to the ESOP Plan shall not be more than 117,033,705 shares of the Company, representing approximately 10.3% of the total issued share capital of the Company as at December 31, 2020, out of which, the maximum number of shares that may be issued upon exercise of all options granted and to be granted under the Pre-IPO Share Option Scheme shall be no more than 42,544,600 shares, and the total number of shares which may be issued upon exercise of options that may be granted under the Post-IPO Share Option Scheme and the RSU Scheme shall not exceed 55,211,880 shares in aggregate.

(i) Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme was adopted by the Company as a continuation and restructuring of the 2016 ESOP following the Reorganization, which was established to recognize and reward the contribution of the participants to the growth and development of Tianjin Maoyan Weying. The 2016 ESOP was terminated as a result of the adoption of the Pre-IPO Share Option Scheme.

Movements of Pre-IPO share options outstanding and their related weighted average exercise prices are as follows:

	Average exercise price	Number of share options of the Company
Outstanding balance as at January 1, 2019	RMB35.9278	8,085,239
Subdivision of shares and modification of exercise price (Note 29(b))	RMB8.0326	40,426,195
Exercised	RMB0.0869	(3,500,725)
Forfeited	RMB7.3593	(2,961,385)
Outstanding balance as at December 31, 2019	RMB8.9102	33,964,085
Exercised	RMB0.0821	(5,943,711)
Lapsed	RMB12.7444	(360,386)
Forfeited	RMB11.6083	(6,908,127)
Outstanding balance as at December 31, 2020	RMB10.4740	20,751,861

Notes to the Consolidated Financial Statements

31 SHARE INCENTIVE PLAN *(continued)*

(b) ESOP Plan of the Company *(continued)*

(i) **Pre-IPO Share Option Scheme** *(continued)*

During the year ended December 31, 2018, 8,085,239 share options under the Pre-IPO Share Option Scheme have been granted as part of the Reorganization and as a replacement of the granted virtual share options to the employees under 2016 ESOP plan of Tianjin Maoyan Weying, and there were no incremental benefit with same vesting period, condition and exercise price granted to the employee under the Pre-IPO Share Option Scheme.

On January 17, 2019, the board of directors of the Company resolved to modify the exercise price of certain share options, which have been granted to a designated group of employees under the Pre-IPO Share Option Scheme, from HKD24.0367 of each Subdivision Shares to the lower of HKD24.0367 and the final offering price per share in connection with the listing (the "Offer Price"), and the Offer Price was HKD14.80. The incremental fair value of such granted share options at date of modification is approximately RMB34,081,000 and is recognized as expense and charged to the consolidated statement of comprehensive income and amortized over the remaining vesting period.

As at December 31, 2020, out of 20,751,861 share options, 8,351,237 share options were vested and exercisable.

(ii) **Restricted share agreement**

As part of the Reorganization, and the continuation/replacement of the virtual share options granted to Mr. ZHENG Zhihao under 2016 ESOP of Tianjin Maoyan Weying, the Company, Mr. ZHENG Zhihao and Rhythm Brilliant Limited, a wholly-owned subsidiary of Mr. ZHENG Zhihao, entered into a restricted share agreement on July 20, 2018 by payment of exercise price of virtual shares of USD386 and approved by the shareholders on July 23, 2018 (the "Adoption Date"). Subject to the restricted share agreement, a total of 3,855,445 shares of the Company as at Adoption Date, owned by Mr. ZHENG Zhihao through Rhythm Brilliant Limited, were designated as restricted shares. The restricted share agreement was a continuation of the 2016 ESOP to provide incentives and rewards to Mr. ZHENG Zhihao, as the CEO of the Company, with same vesting period, condition and no incremental benefit was given to Mr. ZHENG Zhihao under the restricted share agreement.

As at December 31, 2019, all the restricted shares were vested (Note 30).

Notes to the Consolidated Financial Statements

31 SHARE INCENTIVE PLAN (continued)**(b) ESOP Plan of the Company** (continued)**(iii) Post-IPO Share Option Scheme**

Since the initial public offering day, February 4, 2019, the Company granted share options to certain employees and directors under the Post-IPO Share Option Scheme. As at December 31, 2020, out of 5,825,825 share options, 848,314 share options were vested and exercisable.

Movements of Post-IPO share options outstanding and their related exercise prices are as follows:

	Average exercise prices	Number of share options of the Company (after Subdivision)
Outstanding balance as at January 1, 2019	–	–
Granted	RMB12.6398	5,555,890
Forfeited	RMB12.8424	(595,270)
Outstanding balance as at December 31, 2019	RMB12.6155	4,960,620
Granted	RMB9.5783	2,647,822
Lapsed	RMB12.8424	(55,903)
Forfeited	RMB11.8590	(1,726,714)
Outstanding balance as at December 31, 2020	RMB11.4571	5,825,825

(iv) Fair value of options

The Group has used the Binomial Model to determine the fair value of the options as at the respective grant dates, which is to be expensed over the relevant vesting period. The weighted average fair value of share options granted by Maoyan Entertainment during the year ended December 31, 2020 was RMB4.35 per share option (during the year ended December 31, 2019: RMB4.76 per share option).

Notes to the Consolidated Financial Statements

31 SHARE INCENTIVE PLAN (continued)

(b) ESOP Plan of the Company (continued)

(iv) Fair value of options (continued)

Other than the exercise price mentioned above, significant judgement on parameters, such as risk free rate, dividend yield and expected volatility, are required to be made by the directors in applying the Binomial Model, which are summarized as below.

	Year ended December 31,	
	2020	2019
Risk free rate	0.6%	1.5%~1.7%
Dividend yield	0.00%	0.00%
Expected volatility	40%	35%

The expected volatility, measured as the standard deviation of expected share price returns, is determined based on the average daily trading price volatility of the shares of the comparable companies.

Expected retention rate

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of the vesting periods of the share options (the "Expected Retention Rate") in order to determine the amount of share-based compensation expenses charged to the consolidated statement of comprehensive income. As at December 31, 2020 and December 31, 2019, the Expected Retention Rate was assessed to be 94.5% and 92%, respectively.

(v) Post-IPO RSU Scheme

Movements of the Post-IPO RSU granted are as follows:

	Number of shares	
	Fair value (after Subdivision)	
Outstanding balance as at January 1, 2020	RMB10.9967	4,720,961
Granted	RMB9.5783	8,608,779
Forfeited	RMB10.1383	(1,515,724)
Outstanding balance as at December 31, 2020		11,814,016

Notes to the Consolidated Financial Statements



32 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from/(used in) operations

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
(Loss)/profit before income tax	(628,621)	661,541
Adjustments for:		
– Share-based compensation expenses (Note 9)	72,603	103,228
– Depreciation of property, plant and equipment (Note 14)	16,530	14,444
– Amortization of intangible assets (Note 16)	141,131	137,638
– Depreciation of right-of-use asset (Note 15)	13,666	11,855
– Unwinding of interest on lease liabilities (Note 15)	1,462	1,905
– Gains on COVID-19 rent concessions (Note 15)	(1,281)	–
– Loss on disposals of property, plant and equipment (Note 8)	208	1,075
– Share of losses of investments accounted for using the equity method (Note 17)	2,535	639
– Interest income from bank deposits (Note 10)	(15,891)	(29,006)
– Interest expense on bank borrowings (Note 10)	36,371	40,860
– Net impairment losses on financial and other assets (Notes 23 and 24)	418,356	41,850
– Impairment provision for inventory (Note 7)	–	4,978
– Fair value loss/(gain) on financial assets at fair value through profit or loss (Notes 6 and 8)	45,759	(34,311)
– Fair value loss on financial liabilities at fair value through profit or loss (Note 8)	–	1,607
– Losses from liquidation of subsidiaries (Note 8)	–	9,803
Cash generated from operations before changes in working capital	102,828	968,106
Changes in working capital:		
– Inventories	(6,922)	(19,738)
– Accounts receivables	111,670	(268,286)
– Prepayments, deposits and other receivables	102,808	(845,365)
– Accounts payables	(78,448)	72,462
– Other payables, accruals and other liabilities	192,771	(634,383)
	424,707	(727,204)

Notes to the Consolidated Financial Statements

32 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Reconciliation of liabilities arising from financing activities

This section sets out an analysis of net cash and the movements in net cash for each of the year presented.

Net cash

	AS at December 31,	
	2020 RMB'000	2019 RMB'000
Cash and cash equivalents	2,140,149	1,540,414
Liquid investments	397,864	481,723
Lease liabilities	(22,836)	(36,309)
Borrowings – due within one year	(1,013,467)	(1,161,600)
Net cash	1,501,710	824,228
Cash and liquid investments	2,538,013	2,022,137
Gross debt – fixed interest rates	(1,036,303)	(1,197,909)
Net cash	1,501,710	824,228

Notes to the Consolidated Financial Statements



32 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Reconciliation of liabilities arising from financing activities (continued)

Net cash (continued)

	Cash and cash equivalents RMB'000	Liquid investments RMB'000	Liquid liabilities RMB'000	Lease liabilities RMB'000	Borrowings due within one year RMB'000	Total RMB'000
Net cash as at						
January 1, 2019	1,536,456	384,716	(358,005)	–	(600,000)	963,167
Adoption of IFRS 16	–	–	–	(37,846)	–	(37,846)
	1,536,456	384,716	(358,005)	(37,846)	(600,000)	925,321
Cash flows	(4,597)	64,141	–	14,660	(561,600)	(487,396)
Addition of leases	–	–	–	(13,123)	–	(13,123)
Foreign exchange adjustments	8,555	–	8,949	–	–	17,504
Converted to ordinary shares	–	–	350,663	–	–	350,663
Changes in fair value	–	32,866	(1,607)	–	–	31,259
Net cash as at						
December 31, 2019	1,540,414	481,723	–	(36,309)	(1,161,600)	824,228
Net cash as at						
January 1, 2020	1,540,414	481,723	–	(36,309)	(1,161,600)	824,228
Cash flows	643,154	(62,751)	–	12,192	148,133	740,728
Gains on COVID-19 rent concessions	–	–	–	1,281	–	1,281
Foreign exchange adjustments	(43,419)	–	–	–	–	(43,419)
Changes in fair value	–	(21,108)	–	–	–	(21,108)
Net cash as at						
December 31, 2020	2,140,149	397,864	–	(22,836)	(1,013,467)	1,501,710

Notes to the Consolidated Financial Statements

33 CAPITAL COMMITMENTS

As at December 31, 2020, capital expenditure contracted for but not yet incurred by the Group amounted to approximately RMB243,199,000 with respect to investments in certain movies and TV series.

34 SIGNIFICANT RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family members of the Group are also considered as related parties.

Name of the related parties	Nature of relationship
Meituan and its subsidiaries (collectively "Meituan Group")	One of the Company's shareholders
Enlight Holdings and Enlight Media and their subsidiaries (collectively "Enlight Group")	One of the Company's shareholders
Beijing Weying Shidai and its subsidiaries (collectively "Beijing Weying Shidai Group")	One of the Company's shareholders
Tencent and its subsidiaries (collectively "Tencent Group")	One of the Company's shareholders
Beijing Yaoying Movie Distribution Co., Ltd. ("Beijing Yaoying")	The associate of the Group
Shanghai Mila Television Culture Media Co., Ltd. ("Shanghai Mila")	The associate of the Group
Shanghai Chengxin Television Media Co., Ltd. ("Shanghai Chengxin")	The associate of the Group

Save as disclosed elsewhere in the consolidated financial statements, the following significant transactions were carried out between the Group and its related parties during years ended December 31, 2020. In the opinion of the Company's directors, the following related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

- (a) In May 2016, the Group entered into a strategic cooperation agreement and formed a strategic partnership with the shareholder, Meituan. As part of the strategic partnership, Meituan and the Group agreed to cooperate in a number of areas with no charge. The strategic cooperation agreement has a term of five years and applies within the PRC.

Notes to the Consolidated Financial Statements



34 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Revenue from transactions with related parties

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
Tencent Group	30,962	25,472
Enlight Group	32,160	44,177
Shanghai Chengxin	1,531	4,428
Beijing Yaoying	472	18,113
Meituan Group	209	1,441
Beijing Weying Shidai Group	—	3,673
	65,334	97,304

(c) Purchase of management services

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
Meituan Group	117,458	205,408
Tencent Group	29,676	47,061
Beijing Yaoying	896	—
Enlight Group	2	1,448
Beijing Weying Shidai Group	—	600
	148,032	254,517

Notes to the Consolidated Financial Statements

34 SIGNIFICANT RELATED PARTY TRANSACTIONS *(continued)*

(d) Movie cards consideration received on behalf of the Group

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
Tencent Group	2,193	4,753
Meituan Group	1,119	2,276
Enlight Group	859	2,378
Beijing Yaoying	108	803
Beijing Weying Shidai Group	110	7,418
	4,389	17,628

(e) Balances with related parties

	As at December 31,	
	2020 RMB'000	2019 RMB'000
Receivables from related parties		
– Accounts receivables		
Enlight Group	25,748	443
Shanghai Chengxin	12,849	–
Tencent Group	2,086	10,377
Beijing Weying Shidai Group	1,452	360
Beijing Yaoying	44	209
Meituan Group	40	38
	42,219	11,427

Notes to the Consolidated Financial Statements

34 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)**(e) Balances with related parties** (continued)

	As at December 31,	
	2020 RMB'000	2019 RMB'000
– Prepayments, deposits and other receivables		
Meituan Group	54,531	81,461
Beijing Weying Shidai Group	10,847	29,227
Shanghai Chengxin	6,616	49,077
Shanghai Mila	1,782	4,716
Tencent Group	84	–
Enlight Group	3	20
	73,863	164,501
Payables to related parties		
– Other payables, accruals and other liabilities		
Meituan Group	35,429	94,646
Tencent Group	19,895	12,883
Beijing Weying Shidai Group	3,240	336
Enlight Group	83	–
	58,647	107,865

The receivables and payables due from/to related parties are unsecured, interest-free and are repayable on demand.

(f) Key management compensation

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
Share-based compensation expenses	12,665	69,849
Wages, salaries and bonuses	7,100	10,679
Welfare, medical and other expenses	60	209
Contributions to pension plans	3	135
	19,828	80,872

35 CONTINGENCIES

The Group had no material contingent liabilities outstanding as at December 31, 2020 and 2019.

Notes to the Consolidated Financial Statements

36 STATEMENT OF FINANCIAL POSITION AND EQUITY MOVEMENT OF THE COMPANY

	Note	As at December 31,	
		2020 RMB'000	2019 RMB'000
ASSETS			
Non-current asset			
Investment in a subsidiary	(a)	17,259,999	18,186,078
Financial assets at fair value through profit or loss		3,313	14,521
Financial assets at fair value through other comprehensive income		279,192	319,297
		17,542,504	18,519,896
Current assets			
Prepayments, deposits and other receivables		784,787	505,914
Financial assets at fair value through profit or loss		195,749	–
Restricted bank deposits		–	331,369
Cash and cash equivalents		589,926	830,002
		1,570,462	1,667,285
Total assets		19,112,966	20,187,181
EQUITY			
Share capital		153	152
Reserves	(b)	24,477,789	24,498,724
Accumulated losses		(5,415,801)	(4,348,049)
Total equity		19,062,141	20,150,827
LIABILITIES			
Current liabilities			
Other payables, accruals and other liabilities		50,825	36,354
Total liabilities		50,825	36,354
Total equity and liabilities		19,112,966	20,187,181

The financial position of the Company was approved for issue by the Board of Directors on March 30, 2021 and were signed on its behalf.

Zheng Zhihao
Executive Director and Chief Executive Officer

Zhai Xuchao
Financial and Accounting Officer

Notes to the Consolidated Financial Statements



36 STATEMENT OF FINANCIAL POSITION AND EQUITY MOVEMENT OF THE COMPANY (continued)

(a) Investments in a subsidiary

	As at December 31,	
	2020 RMB'000	2019 RMB'000
Investment in a subsidiary (i)	22,200,000	22,200,000
Deemed investments arising from share-based compensation expenses (ii)	337,681	265,078
Less: allowance for impairment of investment in a subsidiary (i)	(5,277,682)	(4,279,000)
	17,259,999	18,186,078

- (i) As at December 31, 2020, the Company recognized impairment of RMB5,277,682,000 on investment in a subsidiary according to the valuation on the recoverable amount of the investment in a subsidiary. The recoverable amount was determined based on value-in-use calculations which use cash flow projections based on financial budgets.
- (ii) The amount represents share-based compensation expenses arising from the grant of share options of the Company to employees of the subsidiaries (Note 31) in exchange for their services provided to these subsidiaries, which were deemed to be investments made by the Company into these subsidiaries.

Notes to the Consolidated Financial Statements

36 STATEMENT OF FINANCIAL POSITION AND EQUITY MOVEMENT OF THE COMPANY (continued)

(b) Reserve movement of the Company

	Share premium RMB'000	Share-based compensation reserve RMB'000	Currency translation differences RMB'000	Other comprehensive income RMB'000	Total RMB'000
As at January 1, 2019	22,200,000	161,850	10,300	–	22,372,150
Shares issued pursuant to the Reorganization	1,983,169	–	–	–	1,983,169
Share-based compensation expenses	–	103,228	–	–	103,228
Changes in the fair value of equity investments at fair value through other comprehensive income	–	–	–	(27,052)	(27,052)
Currency translation differences	–	–	67,229	–	67,229
As at December 31, 2019	24,183,169	265,078	77,529	(27,052)	24,498,724
As at January 1, 2020	24,183,169	265,078	77,529	(27,052)	24,498,724
Share-based compensation expenses	–	72,603	–	–	72,603
Changes in the fair value of equity investments at fair value through other comprehensive income	–	–	–	(16,168)	(16,168)
Transfer of loss upon disposal of equity investments at fair value through other comprehensive income to retained earnings	–	–	–	(178)	(178)
Currency translation differences	–	–	(77,192)	–	(77,192)
As at December 31, 2020	24,183,169	337,681	337	(43,398)	24,477,789

Notes to the Consolidated Financial Statements

37 SUBSIDIARIES

The Company's major subsidiaries (including controlled and structured entities) as at December 31, 2020 and 2019 are set out below. Unless otherwise stated, they have capital consisting solely of ordinary shares that are held directly by the Group. The place of establishment/incorporation is also their principal place of business.

Company name	Place of incorporation and kind of legal entity	Principal activities	Date of establishment/incorporation	Particulars of registered capital/issued capital	Ownership interest held by the Group	
					As at December 31, 2020	2019
Maoyan Entertainment (BVI) Ltd.	BVI, limited liability company	Investment holding	December 12, 2017	United States Dollar ("USD") 50,000	100.00%	100.00%
Maoyan Entertainment HK	Hong Kong, limited liability company	Investment holding	January 4, 2018	Hong Kong Dollar ("HKD") 10,000	100.00%	100.00%
Hong Kong Maoyan Live Entertainment Limited (香港貓眼現場娛樂有限公司)	Hong Kong, limited liability company	Movie ticketing services	June 18, 2019	Hong Kong Dollar ("HKD") 10,000	100.00%	100.00%
Tianjin Maoyan Weying (天津貓眼微影文化傳媒有限公司)	PPC, limited liability company	Performance ticketing services	May 27, 2015	RMB86,457,811	100.00%	100.00%
Beijing Maoyan (北京貓眼文化傳媒有限公司)	PPC, limited liability company	Film investment and distribution	November 12, 2015	RMB10,000,000	100.00%	100.00%
Xinjiang Maoyan Network Technology Co. Ltd. (新疆貓眼網絡科技有限公司)	PPC, limited liability company	Online ticketing platform services	November 10, 2016	RMB10,000,000	100.00%	100.00%
Tianjin Maoyan Pictures Co., Ltd. (天津貓眼影業有限公司)	PPC, limited liability company	Film investment and distribution	June 8, 2015	RMB50,000,000	100.00%	100.00%
Maoyan Enterprise (天津貓眼企業管理諮詢有限公司)	PPC, limited liability company	Movie ticketing services	March 1, 2017	RMB1,000,000	100.00%	100.00%
Beijing Weige Shidai (北京微格時代娛樂科技有限公司)	PPC, limited liability company	Economic and trade consultation, Strategic investment	March 9, 2016	RMB5,000,000	100.00%	100.00%
Ruihai Fanyuan (深圳市瑞海方圓科技有限公司)	PPC, limited liability company	Movie ticketing services, Performance ticketing services	July 13, 2017	RMB200,000,000	100.00%	100.00%

Notes to the Consolidated Financial Statements

37 SUBSIDIARIES (continued)

Company name	Place of incorporation and kind of legal entity	Principal activities	Date of establishment/ incorporation	Particulars of registered capital/issued capital	Ownership interest held by the Group	
					As at December 31, 2020	2019
Tianjin Maoyan Weying Technology Co., Ltd. (天津貓眼微影科技有限公司)	PRC, limited liability company	Computer technology research, development, advisory, Ticket agency, Film project technology advisory etc.	February 5, 2018	USD200,000,000	100.00%	100.00%
Maoyan Live JV (天津貓眼現場科技有限公司)	PRC, limited liability company	Computer technology research, development, advisory, Performance ticketing services etc.	June 19, 2018	RMB5,000,000	100.00%	100.00%
Tianjin Meimao Cultural Media Co., Ltd. (天津美貓文化傳媒有限公司)	PRC, limited liability company	Film investment and distribution	November 22, 2018	RMB5,000,000	100.00%	100.00%
Shanghai Maoyan Network Technology Co., Ltd. (上海貓演網絡科技有限公司)	PRC, limited liability company	Network technology service, development, advisory, Ticket agency, e-Business etc.	February 13, 2019	RMB1,000,000	100.00%	100.00%
Maoyan (Tianjin) International Commercial Factoring Co., Ltd. (貓眼(天津)國際商業保理有限公司)	PRC, limited liability company	Commercial Factoring	April 16, 2019	RMB50,000,000	100.00%	100.00%
Beijing Maoyan Weying Technology Co., Ltd. (北京貓眼微影科技有限公司)	PRC, limited liability company	Computer technology research, development, advisory, Ticket agency, Film project technology advisory etc.	April 29, 2019	RMB5,000,000	100.00%	100.00%
Shanghai Maoyan Pictures Co., Ltd. (上海貓眼影業有限公司)	PRC, limited liability company	Film investment and distribution	May 15, 2019	RMB50,000,000	100.00%	100.00%

Notes to the Consolidated Financial Statements



37 SUBSIDIARIES (continued)

Company name	Place of incorporation and kind of legal entity	Principal activities	Date of establishment/ incorporation	Particulars of registered capital/issued capital	Ownership interest held by the Group	
					As at December 31, 2020	2019
Hangzhou Soushi Network Technology Co., Ltd. (杭州搜视网絡有限公司)	PRC, limited liability company	Network technology service, development, advisory; Ticket agency; e-Business etc.	April 23, 2008	RMB10,000,000	100.00%	100.00%
Zhejiang Haoying Network Technology Co., Ltd. (浙江浩影網絡有限公司)	PRC, limited liability company	Network technology service, development, advisory; Ticket agency; e-Business etc.	June 24, 2004	RMB10,000,000	100.00%	100.00%
Tianjin Maoyan Culture Development Co., Ltd. (天津貓眼文化發展有限公司)	PRC, limited liability company	Film investment and distribution	June 24, 2019	RMB50,000,000	100.00%	100.00%
Tianjin Maoyan Culture IT Consultation Co., Ltd. (天津貓眼文化信息諮詢有限公司)	PRC, limited liability company	Film investment and distribution	July 17, 2019	RMB1,000,000	100.00%	100.00%
Shenzhen Maoyan Weying Technology Co., Ltd. (深圳貓眼微影科技有限公司)	PRC, limited liability company	Computer technology research, development, advisory; Ticket agency; Film project technology advisory etc.	July 24, 2019	RMB5,000,000	100.00%	100.00%
Tianjin Maoyan Cultural Entertainment Co., Ltd. (天津貓眼文化娛樂有限公司)	PRC, limited liability company	Movie ticketing services, Performance ticketing services	December 25, 2019	RMB5,000,000	100.00%	100.00%

Notes to the Consolidated Financial Statements

37 SUBSIDIARIES (continued)

Company name	Place of incorporation and kind of legal entity	Principal activities	Date of establishment/ incorporation	Particulars of registered capital/issued capital	Ownership interest held by the Group	
					As at December 31, 2020	2019
Shanghai Maoyan Cultural Entertainment Co., Ltd. (上海貓眼文化娛樂有限公司)	PPC, limited liability company	Acting agent; literary creation and performance	March 6, 2020	RMB1,000,000	100.00%	N/A
Jiangsu Maoyan culture media Co., Ltd. (江蘇貓眼文化傳媒有限公司)	PPC, limited liability company	Production and operation of radio and TV programs; film distribution; TV series production; performance broker; technology import and export; import and export agent; goods import and export	March 27, 2020	RMB10,000,000	100.00%	N/A
Zhejiang Maoyan pictures Co., Ltd. (浙江貓眼影業有限公司)	PPC, limited liability company	Distribution, production and promotion of movies, games, variety shows, cartoons, radio dramas, TV dramas and advertisements;	January 13, 2020	RMB10,000,000	100.00%	N/A
Xiamen Maoyan culture media Co., Ltd. (廈門貓眼文化傳媒有限公司)	PPC, limited liability company	Film distribution; film projection; TV series distribution; audio-visual products production; TV series production; performance broker; commercial performance; performance venue management; radio and television program production and management	July 29, 2020	RMB10,000,000	100.00%	N/A

Notes to the Consolidated Financial Statements



38 DIRECTORS' REMUNERATION

The remuneration of each director for the year ended December 31, 2020 are set out as follows:

	Director's fee RMB'000	Salaries, wages and bonuses RMB'000	Pension costs-defined contribution plan RMB'000	Other employee benefits RMB'000	Share-based compensation RMB'000	Total RMB'000
Executive director						
– Mr. ZHENG Zhihao	–	2,885	–	–	–	2,885
Non-executive directors						
– Mr. TANG Lichun (a)	–	–	–	–	–	–
– Mr. CHENG Wu (b)	–	–	–	–	–	–
– Mr. WANG Changtian	–	–	–	–	–	–
– Ms. LI Xiaoping	–	–	–	–	–	–
– Ms. WANG Jian	–	–	–	–	–	–
– Mr. CHEN Shaohui	–	–	–	–	–	–
– Mr. LIN Ning	–	–	–	–	–	–
– Mr. ZHAN Weibiao (c)	–	–	–	–	–	–
Independent non-executive directors						
– Mr. WANG Hua	311	–	–	–	–	311
– Mr. CHAN Charles Sheung Wai	311	–	–	–	–	311
– Mr. MA Dong (d)	249	–	–	–	–	249
– Mr. LUO Zhenyu (e)	130	–	–	–	–	130
– Ms. LIU Lin (f)	183	–	–	–	–	183
– Mr. YIN Hong (g)	63	–	–	–	–	63
	1,247	2,885	–	–	–	4,132

Notes to the Consolidated Financial Statements

38 DIRECTORS' REMUNERATION (continued)

The remuneration of each director for the year ended December 31, 2019 are set out as follows:

	Director's fee RMB'000	Salaries, wages and bonuses RMB'000	Pension costs-defined contribution plan RMB'000	Other employee benefits RMB'000	Share-based compensation RMB'000	Total RMB'000
Executive director						
- Mr. ZHENG Zhihao	-	2,777	-	-	28,412	31,189
Non-executive directors						
- Mr. WANG Changtian	-	-	-	-	-	-
- Ms. LI Xiaoping	-	-	-	-	-	-
- Ms. WANG Jian	-	-	-	-	-	-
- Mr. CHEN Shaohui	-	-	-	-	-	-
- Mr. LIN Ning	-	-	-	-	-	-
- Mr. ZHAN Weibiao	-	-	-	-	-	-
Independent non-executive directors						
- Mr. WANG Hua	308	-	-	-	-	308
- Mr. CHAN Charles Sheung Wai	308	-	-	-	-	308
- Mr. MA Dong	308	-	-	-	-	308
- Mr. LUO Zhenyu	308	-	-	-	-	308
	1,232	2,777	-	-	28,412	32,421

- (a) Mr. TANG Lichun has been appointed as a non-executive Director with effect from January 15, 2020.
- (b) Mr. CHENG Wu has been appointed as a non-executive Director with effect from June 9, 2020.
- (c) Mr. ZHAN Weibiao has tendered his resignation as a non-executive Director with effect from June 9, 2020.
- (d) Mr. MA Dong has tendered his resignation as an independent non-executive Director with effect from October 28, 2020.
- (e) Mr. LUO Zhenyu has tendered his resignation as an independent non-executive Director with effect from June 9, 2020.
- (f) Ms. LIU Lin has been appointed as an independent non-executive Director with effect from June 9, 2020.
- (g) Mr. YIN Hong has been appointed as an independent non-executive Director with effect from October 28, 2020.

Notes to the Consolidated Financial Statements



38 DIRECTORS' REMUNERATION *(continued)*

(a) Directors' remuneration

During the year ended December 31, 2020 and 2019, no directors received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office; no directors and senior management waived or has agreed to waive any emoluments.

(b) Directors' retirement benefit

During the year ended December 31, 2020 and 2019, no retirement benefits paid to the directors of the Company by a defined benefit pension plan operated by the Group in respect of the director's services as a director of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiary undertaking.

(c) Directors' termination benefit

During the year ended December 31, 2020 and 2019, no payments to the directors of the Company as compensation for the early termination of the appointment.

(d) Consideration provided to third parties for making available directors' services

During the year ended December 31, 2020 and 2019, the Company did not provide to any third party for making available director's services.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended December 31, 2020 and 2019, no loans, quasi-loans or other dealings in favour of directors of the Company, controlled bodies corporate by and connected entities with such directors.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended December 31, 2020 and 2019.

Financial Summary

RESULTS

	For the year ended December 31,					2020 RMB'000
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	
Continuing operations						
Revenue	596,738	1,377,512	2,547,982	3,754,959	4,267,514	1,365,690
Gross profit	298,554	887,626	1,742,028	2,356,246	2,657,147	537,334
(Losses)/profit before income tax	(1,300,810)	(498,334)	(75,834)	(148,044)	661,541	(628,621)
Income tax credits/(expenses)	3,378	(9,828)	(179)	9,648	(202,684)	(17,651)
(Losses)/profit for the year from continuing operations	(1,297,432)	(508,162)	(76,013)	(138,396)	458,857	(646,272)
(Losses)/profit attributable to:						
Owners of the Company	(1,297,432)	(508,162)	(75,469)	(137,088)	463,456	(646,272)
Non-controlling interests	–	–	(544)	(1,308)	(4,599)	–

ASSETS AND LIABILITIES

	As at December 31,					2020 RMB'000
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	
Total assets	628,160	1,567,925	9,038,791	9,076,398	11,351,245	10,608,542
Total liabilities	(1,848,244)	(1,553,523)	(3,507,508)	(3,369,850)	(3,063,202)	(2,985,483)
Total equity	(1,220,084)	14,402	5,531,283	5,706,548	8,288,043	7,623,059
Non-controlling interests	–	–	11,062	4,599	–	–
Equity attributable to equity holders of the Company	(1,220,084)	14,402	5,520,221	5,701,949	8,288,043	7,623,059

Environmental, Social and Governance Report



ABOUT THE REPORT

This report is aimed at disclosing the performance and results in respect of environmental, social and governance (“ESG”) of the Company in 2020 to all the stakeholders. It is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” (“ESG Reporting Guide”) set out in Appendix 27 of the Listing Rules of the Stock Exchange of Hong Kong Limited and is issued together with the annual report. For the content of corporate governance, readers are reminded to read this report in conjunction with the section headed “Corporate Governance Report” in the annual report.

Unless otherwise stated, the scope of disclosure in this report includes the Company and its subsidiaries in China, and covers the period from January 1, 2020 to December 31, 2020.

ESG MANAGEMENT APPROACH

As an innovative internet-empowered entertainment service provider, we seek to build up a vibrant ecosystem around the Maoyan comprehensive platform, which will connect our consumers with the entertainment industry and empower them. In that spirit, our service will enable consumers to easily uncover and enjoy the high-quality entertainment contents. The Company strives to integrate the ESG management philosophy into its overall strategy, policy and business plan. In this way, we prioritize corporate social responsibility first and actively reduce the adverse impact of our business operations on the environment, to make a great contribution to society and safeguard the rights and interests of all stakeholders.

In order to implement the Company’s ESG management philosophy in a better way, we have established a cross-departmental ESG management structure to perform ESG work. The board of directors of the Company oversee the ESG management strategy and reporting as a whole, which is specifically represented in reviewing and approving ESG policies, performance and reporting. Furthermore, we have established an ESG taskforce (the “Taskforce”) composed of the ESG related departments to execute our ESG work, which includes evaluating ESG-related risks, establishing ESG risk management procedures and internal control system, daily ESG management and reporting to the board of directors to ensure the effectiveness of ESG management.

ACTIVELY SUPPORT THE SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals (“SDGs”) of the United Nations aim to guide countries around the world to resolve the key issues in society, economy and environment, and encourage the public to actively make their own efforts to achieve sustainable development. We have identified SDGs priorities based on the Company’s business characteristics and integrated them into our ESG management philosophy to guide the ESG work.

We actively support SDGs and China’s National Plan on Implementing of the 2030 Agenda for Sustainable Development, and have taken the following actions in the identified key areas of SDGs.

Environmental, Social and Governance Report

SDGs	China's National Plan of SDGs ¹	Our Sustainable Development Actions
	<ul style="list-style-type: none"> Ensure equality and accessibility of basic health care services. 	<ul style="list-style-type: none"> Focus on the health and safety of employees and provide them with health and safety protection such as medical care insurance. Actively respond to the call of the state and local governments to fight the pandemic.
	<ul style="list-style-type: none"> Raise public awareness of gender equality and eradicate all forms of discrimination and prejudice against women and girls. 	<ul style="list-style-type: none"> Create a fair and just working environment, resolutely oppose gender discrimination, and provide equal opportunities for female employees.
	<ul style="list-style-type: none"> Ensure moderate- and high-speed economic growth and moderate- and high-level of production. Crack down on illegal and criminal activities such as child labor and forced labor in accordance with law and provide special protection for underage workers aged between 16 and 18. Protect workers' legitimate rights and interests such as remuneration, vacation, social security, and etc. Improve employment and entrepreneurship services and launch a lifelong vocational training initiative. 	<ul style="list-style-type: none"> Continue to expand Maoyan's unique online business products and operating model and to improve online and offline capabilities of integrating the marketing platform, grow together with industry partners and provide communities with more high-quality jobs to help economic recovery. Prohibit child labor. Protect the legitimate rights and interests of employees, establish and improve recruitment, remuneration, vacation systems, and provide reasonable benefits and welfare. Establish an employee training system to support their development and growth.
	<ul style="list-style-type: none"> Improve education and publicity on climate change mitigation and environmental protection, spread knowledge about climate change and low-carbon development, and encourage public participation in climate actions. 	<ul style="list-style-type: none"> Encourage green office, and actively promote the concept of resource conservation and environmental protection to raise employees' awareness of environmental protection.
	<ul style="list-style-type: none"> Resolutely correct improper conduct that harms the interests of the general public, and punish corruption without fail. Maintain the pressure and strengthening accountability and enforcement. 	<ul style="list-style-type: none"> Create a honest, integrity and fair corporate culture for compliance management and integrity operation.

¹ The contents are abstracted from China's National Plan for the Implementing of the 2030 Agenda for Sustainable Development.

Environmental, Social and Governance Report



STAKEHOLDERS COMMUNICATION

The Company is actively engaged in communications with the stakeholders to heed their demands. We have established communication channels with the government and regulatory authorities, shareholders and investors, customers, employees, suppliers, communities, media and non-governmental organizations, and identified the major ESG topics of their concerns.

Stakeholders	Major ESG topics of concern	Major communications channels
Government and regulatory authorities	<ul style="list-style-type: none"> • Employment • Supply chain management • Product responsibility • Anti-corruption 	<ul style="list-style-type: none"> • Implementation of policies, laws and regulations • Written documents or reports • Regular or irregular face-to-face communications
Shareholders and investors	<ul style="list-style-type: none"> • Employment • Product responsibility • Anti-corruption 	<ul style="list-style-type: none"> • General Meeting of Shareholders • Periodic Reports • Results announcements • Official website of the Company
Customers	<ul style="list-style-type: none"> • Product responsibility 	<ul style="list-style-type: none"> • Customer hotline • Routine operation and communication
Employees	<ul style="list-style-type: none"> • Employment • Health and safety • Development and training • Labor standards 	<ul style="list-style-type: none"> • Staff handbook • Internal announcement/email • Internal meetings with employees • Staff training • Performance assessment and feedback • Employees' feedback mechanism
Suppliers	<ul style="list-style-type: none"> • Supply chain management • Anti-corruption 	<ul style="list-style-type: none"> • Supplier management system • Supplier evaluation and examination • Suppliers Conference

Environmental, Social and Governance Report

Stakeholders	Major ESG topics of concern	Major communications channels
Communities	<ul style="list-style-type: none"> • Use of resources • Community investments 	<ul style="list-style-type: none"> • Participation in charity activities • Volunteer work • Questionnaire
Media and non-governmental organizations	<ul style="list-style-type: none"> • Employment • Product responsibility • Community investments • Supply chain management • Emissions • Use of resources 	<ul style="list-style-type: none"> • Social media • Company Official websites • Press conferences • Communication meetings

ENVIRONMENT

Our business activities have no significant impact on the environment and natural resources, but the Company deeply understands its own environmental responsibilities and actively contributes to energy conservation and waste reduction. In adhering to the practice of green office, the Company implements various measures in daily operations to reduce the impacts on the environment in accordance with the requirements of relevant laws and regulations, such as the Environmental Protection Law of the PRC, the Energy Conservation Law of the PRC, the Law of the PRC on the Prevention and Control of Environment Pollution Caused by Solid Wastes, the Law on Prevention and Control of Water Pollution of the PRC, and the Law on Prevention and Control of Air Pollution of the PRC, etc..

1. Use of Resources

The Company actively promotes the concept of green office. Major resources used in our daily operations include electricity, water and paper.

As for water conservation, we have installed water-saving faucets in lavatories with water-saving notices attached, which is aimed at raising our employees' water-saving awareness.

Outsourcing electricity is the main energy consumed in the Company's daily operations. We are actively implementing a number of electricity-saving measures, including: replacing high-energy-consuming lamps with energy-efficient LED ones, and instructing the security officers to carry out regular patrols during non-office hours and turn off unused lighting in office areas. These measures help reduce resource consumption as well as greenhouse gas emissions of the Company.

To reduce paper waste and increase paper utilization, we vigorously promote online office and encourage paperless mode. In addition, our printers are pre-set as double-sided printing function, and it is recommended to minimize the font size in printed documents to reduce paper use. We also set up a paper recycling station close to the printer for employees to recycle the used paper. We actively encourage our employees to bring their own cups, which help reduce the use of one-off paper cups.

Environmental, Social and Governance Report

2. Waste

The Company's waste is mainly generated from office operations. In order to reduce the impact of waste on the environment, we have established a recycling and treatment mechanism for waste in accordance with the Law of the PRC on the Prevention and Control of Environment Pollution Caused by Solid Wastes, which allows us to hand it over to qualified third parties for treatment. We encourage our employees to use office equipment with care, with a view to reducing damage and loss, as well as the number of disposed equipment. We also reduce unnecessary waste from office supplies by limiting the frequency and quantity that the employee request. In addition, we actively respond to the garbage sorting policy implemented by the country by making full use of the Company's internal online platform to propagate garbage sorting knowledge to employees and drive them to devote themselves to the initiative.

3. Environmental Key Performance Indicators

Set out below are the key indicators for use of resources of the Company in 2020. Unless otherwise stated, these data only cover the Company's head office in Beijing and regional office in Shanghai. Given our business nature, packaging material data is not applicable to the Company.

Emissions

Indicators	2019 Figures	2020 Figures
Total Greenhouse Gas ("GHG") emissions (tonnes CO ₂ e) ¹	567.31	488.68
Total GHG emissions per capita (tonnes CO ₂ e per capita)	0.60	0.67
Total GHG emissions per floor area (tonnes CO ₂ e per square metre)	0.07	0.07
Total hazardous waste production (tonnes) ²	0.024	0.07
Hazardous waste production per capita (kg per capita)	0.03	0.09
Total non-hazardous waste production (tonnes) ³	101.86	26.08
Non-hazardous waste production per capita (kg per capita)	0.11	0.04

Notes:

- GHG emissions include carbon dioxide, methane and nitrous oxide, mainly originating from the purchased electricity. GHG emissions are presented in carbon dioxide equivalents and calculated based on the 2019 Baseline Emission Factors for Regional Power Grids in China issued by the Ministry of Ecology and Environment of the PRC and the 2006 IPCC Guidelines for National Greenhouse Gas Inventories issued by the Intergovernmental Panel on Climate Change (IPCC) (2019 revision).
- Hazardous wastes involved in the operation of the Company primarily include lead-acid batteries, and waste ink cartridges, waste toner cartridges and waste toners of printing devices.
- Non-hazardous wastes involved in the operation of the Company primarily include domestic garbage and disposed electronic devices, disposed office equipment and other office wastes. The domestic garbage is firstly sorted within the Company according to the national garbage classification requirements, and then is centralized and transported to the garbage collection agency under the jurisdiction after the property management's check.

Environmental, Social and Governance Report

Resource consumption

Indicators	2019 Figures	2020 Figures
Total energy consumption (MWh) ¹	820.32	722.74
Indirect energy consumption (MWh)	820.32	722.74
Total energy consumption per capita (MWh per capita)	0.87	0.98
Total energy consumption per floor area (MWh per square metre)	0.10	0.10
Water consumption (tonnes) ²	7,282	5,545.38
Water consumption per capital (tonnes per capital)	7.75	7.56
Water consumption per floor area (tonnes per square metre)	0.93	0.76
Total consumption of A4 paper (tonnes)	3.03	1.38

Notes:

1. Total energy consumption is calculated based on the consumption of electricity, and the conversion factors provided in the national standard of the PRC, i.e. the General Principles for Calculation of Total Production Energy Consumption (GB/T 2589-2008).
2. The water consumption includes tap water and reclaimed water. Of which, water consumption of the regional office in Shanghai is controlled by the property management office where it is located, and the water charges are included in property charges. As water consumption cannot be measured separately, we have estimated the water consumption with reference to the national standard, i.e. the Standard for Design of Building Water Supply and Drainage (GB50015-2019) issued by the Ministry of Housing and Urban-Rural Development of the PRC.

4. Environment and Natural Resources

The Company has few impacts on resources and environment as it is not involved in large-scale industrial production activities. In the process of our expanding business and operations, we will always pay close attention to and conscientiously consider environmental and resource issues, so as to avoid any substantial impact on them.

Environmental, Social and Governance Report



EMPLOYMENT AND LABOR STANDARDS

Talent has always been regarded as Maoyan's most important asset and resource. By formulating and improving a sound and complete talent management system and implementing fair and equitable recruitment to reserve diversified talents, we have provided employees with sound benefits as well as care and kindness to their physical and mental health, and established the transparent and efficient employee performance assessment and communication mechanisms to realize a harmonious and win-win employment relationship. We have complied with various laws and regulations, including the Labor Law of the PRC, the Labor Contract Law of the PRC, Social Insurance Law of the PRC and Law of the PRC on the Protection of Women's Rights and Interests, and accordingly formulated the policies on human resources management to safeguard the legitimate rights and interests of employees.

1. Recruitment, Dismissal and Labor Standards

We have expressly stipulated the recruitment, dismissal and employment policies in the "Policy on Human Resources Management of Maoyan". During the recruitment process, we follow the principles of fairness, transparency and integrity to select suitable talents through channels such as campus recruitment and social recruitment. We sign off labor contracts with the employees in accordance with law. There was no child labor or forced labor during the Year in the Company.

2. Remuneration, Development and Welfare

By adopting the "position-based remuneration" principle, we take into full consideration of internal fairness and external competitiveness. The Company provides employees with competitive remunerations to attract talents and retain employees by reference to various factors such as title and rank, experience, capability and performance. We have developed complete remuneration incentive policies and give evaluation and feedback on employee performance through the performance assessment. Specifically, the performance bonus is based on the employee's performance assessment result for a specific period. Furthermore, we regularly select and determine outstanding individuals and teams based on the performance assessment, and acknowledge their efforts by providing incentives. The Company makes full contribution to the social insurance and housing provident fund for our employees according to the laws. Our employees are also supplemented with commercial insurance and annual medical check-ups as additional benefits.

The Company has established a fair and transparent promotion mechanism, from which the promotion results are determined by an independent assessment team, adhering to the selection principle of objectivity and justice. We also provide more free space in promotion channels to help employees make better use of their own advantages and achieve effective matching of positions and talents, to lay a solid talent foundation for our development.

We continue to carry out various activities to enrich the spiritual life of employees, including company anniversary, festival activities, team building, cultural and sports activities, etc. During the Year, we organized various themed activities for employees on Programmer's Day, Thanksgiving Day, and Halloween etc.. In addition, we also provide employees with a variety of relaxing activities, such as providing employees with free shoulder and neck massage to relieve work fatigue. By organizing the team build-up activities, the employees' sense of happiness and sense of belonging have been enhanced.



Environmental, Social and Governance Report

3. Working Hours and Holidays

The Company adopts the standard working hours, but irregular working hours for special positions. Our employees are encouraged to work efficiently during normal working hours without overtime, and any overtime due to special reasons need to be applied and approved in advance. The Company encourages the employees to enjoy the holidays for rest, entertainment and family life. In addition to national statutory holidays, we also provide annual leave and paid sick leave calculated based on working years and seniority. Furthermore, female employees also enjoy paid maternity leave and other relevant leaves, while male employees enjoy paternity leave.

4. Anti-discrimination, Diversity and Equal Opportunities

The Company strongly prohibit any discrimination against employees' gender, ethnicity, race, physical disability, age, religion, nationality, sexual orientation and family background. Following the principles of fairness and impartiality, the Company does not treat people differently during recruitment and work due to personal characteristics, and we eradicate all forms of harassment. We are committed to providing an inclusive working environment for employees with special needs so that everyone has equal development opportunities in the Company.

5. Health and Safety

The Company attaches high importance to the health and safety of its employees, and complies with all relevant laws and regulations including the Labor Law of the PRC, the Production Safety Law of the PRC, the Fire Control Law of the PRC, and the Regulations of Beijing Municipality on Fire Control. Committed to maintaining a safe and healthy workplace, we have formulated the Employee Code of Conduct, Visitor Entrance Procedures, Fire Safety Management System, Fire Emergency Plan and No-Smoking Regulations to comprehensively protect employees' health and safety.

In order to improve the workplace safety, the Company requires all employees to wear employee badges to enter office premises, while visitors are required to be registered and accompanied by employees throughout the visit. Smoking is strictly prohibited in all office areas of the Company, and only be permitted in designated smoking areas outside the office.

We cherish the physical and mental health of every employee and invite professional psychological counseling agencies to provide mental health consulting to all employees to help them resolve their work-life issues and relieve physical and mental stress.

Encountering the sudden outbreak of COVID-19 in the Year, the Company attached great importance to the health protection of all employees and adopted a series of measures to ensure their health and safety. In accordance with national and local government's regulations and requirements for the pandemic control, the Company formulated the "Administrative Measures for Safety Protection of Employees in Special Period", which specifies the requirements for different employee actions, including entering and leaving the offices, meetings, dining, and sending and receiving express delivery. We also required employees to report their personal health status to the Company on a regular basis and to maintain continuous communication on pandemic prevention, personal safety protection and other related information, and provided them with psychological counseling. In addition, we took strict disinfection measures in the offices and reserved sufficient anti-pandemic materials for the office area to ensure the safety of our daily office work and operating premises.

Environmental, Social and Governance Report



6. Staff Training

By developing diversified training and development programs for our employees, we are committed to achieving a development of both the Company and the employees, aiming to facilitate the growth of staff. During the Year, a total of 491 employees received offline training organized by the Company, while the total training time per capita was 4.3 hours. The Company also organized a variety of online trainings, which had been well continued after the resumption of work, to empower employees in a low-carbon and safe training approach during the pandemic. During the Year, a total of 714 employees received online training, with a total training time per capita of 8.1 hours.

We continue to improve the staff training system. During the Year, the Company improved the functions of the internal online learning platform to increase the efficiency of training management. Our training courses are regularly provided to employees by internal or external lecturers. We collect and understand the opinions and suggestions on the lecturers and the content of the courses from the trainees via questionnaire survey after the trainings, and analyze the score and satisfaction rate of the trainees on the courses and lecturers to ensure the quality of the trainings. We have launched a special program for the new graduate employees on the first day, in the first month and first quarter of their employment, helping them to go through the transition period from campus to office smoothly and faster, and to fit in with the Company and jobs. In response to the improvement of employees' business capabilities, the Company's technical committee provides technical sharing sessions for employees twice a month, and occasionally organizes industry technical salons. The Company pushes online courses to all employees every week, so that they can learn anytime and anywhere. In addition, according to business needs, we also encourage employees to obtain relevant qualification certificates via external trainings.

7. Staff Communications

The Company believes that smooth communication channels are important for improving work efficiency and employee satisfaction. We encourage employees to provide feedback and suggestions, raise up new ideas and questions. By providing a variety of communication channels to our employees, including online work communication groups, offline exchange and sharing session, we listen carefully to their opinions, eliminate communication barriers and improve the cohesion of the Company.

During the Year, the Company implemented employee communication activities called "Management Face-to-Face" and "MY TALK" in which we invited the management of the Company to interact with employees on issues such as industry trends and corporate development plans, and listen to their opinions and suggestions.



Environmental, Social and Governance Report

SUPPLIER MANAGEMENT

The Company has formulated the Supplier Information Form, Business Ethics Commitment Letter, Supplier Management System and Supplier Procurement Practices in compliance with Tender Law of the PRC and Regulation of the PRC on the Implementation of Tendering and Bidding, for the purpose of strictly managing supplier development and admission as well as evaluation and grading, and other supplier management tasks.

1. Supplier Development and Admission

We develop and admit suppliers in accordance with the Supplier Management Rules. All suppliers must pass relevant qualification audits before being selected or admitted. By information retrieval and business negotiation, we understand the supplier's public information and commercial legality to complete the supplier's preliminary development. In addition to focusing on the quality of products and services, cost and reliability of the suppliers, environmental and social responsibility factors, such as ensuring employees' health and safety and controlling the impact on environment, are also considered in supplier development and admission process.

2. Evaluation and Grading of Suppliers

Collaborating with business departments, we regularly evaluate suppliers' products and services by written or face-to-face negotiations, and the evaluation results will serve as an important reference factor for future cooperation. In addition, we also grade long-term suppliers based on the evaluation results, and promptly eliminate and screen out the unqualified ones.

3. Maintenance and Management of Supplier Database

A supplier database has been established. If a current supplier ceases its business and the supply chain is interrupted, we will cooperate with stand-by suppliers or newly developed suppliers to ensure that the Company can obtain the required products or services in a timely manner.

4. Supplier Integrity Management

In the procurement process, we always adhere to the principles of fairness, transparency, justice, honesty and integrity to create a sunshine procurement environment. Suppliers are required to sign the Declaration on Anti-Bribery and Anti-Corruption, make commitment to complying with the principles of honesty, integrity and self-discipline, including anti-fraud and anti-bribery agreements.

Environmental, Social and Governance Report



PRODUCT RESPONSIBILITY

We pay great attention to the quality of products and services, and strictly protect user information and data. In addition, we strictly regulate and review advertisements and resolutely safeguard the Company's intellectual property rights. We firmly believe that only by creating high-quality and responsible products and services can we meet the expectations and requirements of our users and increase users' satisfaction and loyalty.

1. Intellectual Property Rights Protection

We fully respect and treasure intellectual property rights and focus on the application and protection of them. In compliance with the relevant laws such as the Copyright Law of the PRC, the Trademark Law of the PRC, the Patent Law of the PRC and the Implementing Regulations of the Trademark Law of the PRC, the Implementing Regulations of the Copyright Law of the PRC, and the Implementing Regulations of the Patent Law of the PRC, we protect our intellectual property rights and legitimate interests.

We strengthen the accumulation and protection of internal intellectual property rights to deal with external challenges. We respect and encourage originality, and timely safeguard our legitimate rights and interests through protective measures such as trademark registration, technical patent application, and domain name registration. For example, a technology patent application of the online ticket purchase and seat area selection and box office forecast functions for our APP has been initiated, the text and graphics and other business-related trademarks of Maoyan have been registered, and the domain names of maoyan.com and other business segments have been registered.

2. Advertising Compliance

In compliance with the Advertising Law of the PRC, Regulation on the Administration of Advertising and Interim Measures for Administration of Internet Advertising, the Company has formulated the Maoyan Advertisement Review Procedures and Maoyan Advertisement Resource Application Procedures as required by the laws and regulations. We strictly review the material and slogan for external promotion to ensure legitimate advertisements. In accordance with the requirements of the State Administration for Market Regulation, the Company strictly audits all advertisements of high risk industries including finance, pharmaceuticals, healthcare, real estate, and alcohol, etc..

3. Information Security and User Privacy Protection

Information security and user privacy protection are of paramount importance to the Company. In compliance with the regulations of Cyber Security Law of the PRC, Regulations on Protection of Personal Information of Telecommunication and Internet Users, and General Technical and Management Requirements for the Personal Electronic Information Protection of Telecommunications and Internet Users, we established mechanisms for information security and user privacy protection to reduce the risk of information divulgence.



Environmental, Social and Governance Report

In order to better react to information security emergencies such as unwanted programs and cyber attacks, during the Year, we formulated a special emergency plan, established the emergency leadership team, and clarified the responsibilities of each team to strengthen information security and improve the execution of various work. In addition, we have also established the Standards for Security Vulnerability Rating and Response Processing, which regulates the security vulnerability rating, response time and restoration time, as well as the procedures of system security emergencies, and improves system security thereafter. A number of our Company's systems have obtained national information system security level protection certification.

For user-end information security management, we have formulated the sensitive information definition standards and sensitive information acquisition approval procedures, specifying that different sensitive levels of information require different access rights. Regarding to the protection of sensitive user information, confidential and top-secret information is restricted to the scope permitted by laws and policies, and can be accessed by certified and authorized applicants. We clearly notify our users that the type of information to be collected and our privacy protection policies, The information is only collected with their permission. During the Year, the Company carried out a comprehensive self-examination on our APP in respect of users' privacy data protection, and made a number of policy amendments in this area, e.g. we further clarifies the purpose, approach and scope of the collection and use of personal information in our Privacy Policy, and the additional function has been added in the APP that users can read, edit and delete the personal information by themselves.

In managing internal information security, we have formulated the Maoyan Information Security and Confidentiality Regulations, which have details in information storage security, transmission security, release and destruction security, account security, office network security, and PC security. Meanwhile, we provide feedback channels as well as rewards and punishments to prevent the divulgence of key information. During the Year, we also identified sensitive information of our products, users, and the Company from different aspects. All sensitive information of different level is managed with different security strategies to strengthen the review and approval process for employees to reach sensitive information, and effectively protect our internal data and information security.

4. Customer Services

We have always been committed to providing high-quality customer services, insisting on 100% acceptance and answering of customer requests. The Company established a handling mechanism to actively and efficiently receive, evaluate and response to customers' feedback, and continuously improved the quality of our products and services. Furthermore, we have set up multiple communication channels for the users, e.g. online portals, WeChat mini programs, hotlines and user questionnaire survey. We also have established customer service quality KPIs as an assessment standard for customer service team, including the response speed of calls received, the number of calls received, user satisfaction rate, and follow-ups. The Company reviews statistics data of customer complaints, customer complaint rates, resolution rates, satisfaction rates, and TOP scenarios and issues every week, which is used to prepare weekly reports for continuing improvement. Relevant business departments regularly communicate with the customer service team about the key issues, of which will be subject to analysis and solutions to be implemented, in order to resolve customer requests with satisfaction.

Environmental, Social and Governance Report



ANTI-CORRUPTION

The Company recognizes the importance of combating corruption and fraud, and complies with the Anti-unfair Competition Law of the PRC and the Interim Provisions on Prohibition of Commercial Bribery. We have established internal rules and regulations, and promoted them within the Company, with a view to creating a fair, open, honest and upright environment, as well as maintaining our good reputation. During the reporting period, the Company did not have any lawsuits related to commercial bribery, extortion, fraud or money laundering.

We have developed the Maoyan Whistleblowing System, which regulates whistleblowing procedures and monitoring measures. The whistleblowing system is maintained by the internal audit and supervision department of the Company and supervised by the Audit Committee of the Board. The Company provides an email address for reporting clues for fraud on the homepage of our website, and sets up a hotline for internal whistleblowing, which is managed by a designated officer from internal audit and supervision department of the Company. The supervision department appoints specialist to maintain the whistleblowing records. All related information about acceptance, investigation and decision on the cases must be filed. The Company strictly protects the privacy and legal rights of the whistleblowers, and protect such whistleblowers against unfair treatment or any forms of retaliation.

The Company organizes the anti-corruption training for employees, which includes the codes of conduct governing employee integrity, anti-unfair competition, protection of corporate assets and gifting. In addition, we clarify a penalty system for violations of the integrity principle.

COMMUNITY INVESTMENTS

While focusing on the development of culture and entertainment business, we continue to make efforts to contribute to the communities and strive to cultivate a sustained relationship to benefit both the Company and communities.

During the pandemic, as an important participant in China's comprehensive entertainment industry, the Company actively took anti-pandemic actions to fulfill its social responsibilities and safeguard the interests of users, working hand in hand with industry partners to help each other and overcome the difficulties together. In response to the users' requests for refunds during the COVID-19 outbreak in early 2020, the Company respond instantly and established a pandemic customer complaint feedback mechanism. It took only 3 days to complete all ticket refunds and changes. More than 5 million tickets were refunded, and the amount of disbursement exceeded RMB200 million.

The Company issued safety certification for theaters that strictly adopted local disinfection procedures, carried out nucleic acid testing for all employees, strictly implemented wearing masks and complied with local pandemic prevention and control requirements, and marked them with Safe Theater label on our APP to help the audience watch movies and shows safely and securely. In addition, we did our best to support the resumption of work and business of theaters in various regions, by cooperating with government agencies and labor unions in many places to launch movie-benefiting activities, and providing free movies for medical workers and students after high school entrance examination and college entrance examination together with industry chain partners to encourage the audience to return to the cinemas and support the industry to recover soon.



Environmental, Social and Governance Report

EXPLANATIONS FOR PREPARATION

Reporting Scope

Unless otherwise stated, the scope of disclosure contained in this Report is consistent with the scope of this Annual Report.

Reporting Period

This Report covers the period from January 1 to December 31, 2020.

Basis of Preparation

This Report has been prepared in accordance with the Appendix 27 “Environmental, Social and Governance Reporting Guide” of the Main Board Listing Rules of SEHK.

Source of Information

The information contained in this Report is mainly derived from the statistical data and related documents of the Company. We confirm that this Report does not contain any false records and misleading statements, and we shall be responsible for the authenticity, accuracy and completeness of its content.

Definitions and Glossary



“AGM”	the Annual General Meeting of the Company to be held on 28 June, 2021
“Articles of Association”	the articles of association of our Company, conditionally adopted on January 11, 2019 with effect from the Listing Date, and as amended from time to time
“Audit Committee”	the audit committee of the Company
“Beijing Maoyan”	Beijing Maoyan Cultural Media Co., Ltd. (北京貓眼文化傳媒有限公司), a company incorporated under the laws of the PRC on November 12, 2015 with limited liability and a Consolidated Affiliated Entity
“Beijing Shiji Weying”	Beijing Shiji Weying Culture Development Co., Ltd. (北京世紀微影文化發展有限公司), a company incorporated under the laws of the PRC on July 22, 2016, with the limited liability and one of our Registered Shareholders
“Beijing Weige Shidai”	Beijing Weige Shidai Entertainment Technology Co., Ltd. (北京微格時代娛樂科技有限公司), a company incorporated under the laws of the PRC on March 9, 2016 with limited liability and a Consolidated Affiliated Entity
“Beijing Weying Shidai” or Weying”	Beijing Weying Shidai Technology Co., Ltd. (北京微影時代科技有限公司), a company established under the laws of the PRC with limited liability, and/or its subsidiaries, as the case may be
“Board”	the board of directors of the Company
“BVI”	the British Virgin Islands
“Cayman Companies Law” or “Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time



Definitions and Glossary

“Company” or “our Company”	Maoyan Entertainment, an exempted company incorporated in the Cayman Islands with limited liability and whose Shares are listed on the Main Board of the Stock Exchange (Stock Code: 1896)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consolidated Affiliated Entities”	entities whose financial have been consolidated and accounted for as subsidiaries of the Company by virtue of the Contractual Arrangements
“Contractual Arrangements”	the series of contractual arrangements entered into by, among others, the WFOE, Tianjin Maoyan Weying and the Registered Shareholders
“Corporate Governance Code” or “CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Enlight”	for illustration purpose, means Mr. Wang Changtian, himself and his controlled entities, including Enlight Holdings and Enlight Media, for the purpose of investment in our Company
“Enlight Holdings”	Enlight Holdings Limited
“Enlight Media”	Beijing Enlight Media Co., Ltd. (北京光線傳媒股份有限公司), a company listed on the Shenzhen Stock Exchange (SSE Stock Code: 300251), our substantial shareholder
“Equity Pledge Agreement”	the amended and restated equity pledge agreement dated August 9, 2018 entered into among the WFOE, Tianjin Maoyan Weying and each of the Registered Shareholders
“Exclusive Consultation and Service Agreement”	the amended and restated exclusive consultation and service agreement dated August 9, 2018 between Tianjin Maoyan Weying and the WFOE
“Exclusive Option Agreement”	the amended and restated exclusive equity transfer option agreement dated August 9, 2018 among Tianjin Maoyan Weying, the WFOE and the Registered Shareholders

Definitions and Glossary



“Global Offering” or “Initial Public Offering”	the offering by the Company of its Shares for subscription by the public in Hong Kong and the offering of Shares by the international underwriters outside the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act and in the United States to QIBs only in accordance with Rule 144A or any other available exemption from the registration requirement under the U.S. Securities Act in January to February 2019
“GMV”	the value of paid transactions on our platform, including the service fees and without regard to any refunds
“gross box office”	box office and the service fees paid for online movie ticketing services
“Group”, “our Group”, “we” or “us”	the Company, its subsidiaries and the Consolidated Affiliated Entities
“Historical ESOP Platforms”	Tianjin Caiyi, Tianjin Caixuan, Tianjin Caiying, Tianjin Caichuang and Tianjin Guanghong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“IFRS”	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
“Linzhi Lixin”	Linzhi Lixin Information Technology Co., Ltd. (林芝利新信息技术有限公司), a company incorporated under the laws of the PRC on October 26, 2015 with limited liability and a company designated by Tencent to hold interests in Tianjin Maoyan Weying
“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	February 4, 2019, the date on which the Shares became listed on the Main Board of the Stock Exchange

Definitions and Glossary

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maoyan Enterprise”	Tianjin Maoyan Enterprise Management and Consulting Co., Ltd. (天津貓眼企業管理諮詢有限公司), a company incorporated under the laws of the PRC on March 1, 2017 with limited liability and a Consolidated Affiliated Entity
“Maoyan Live JV”	Tianjin Maoyan Live Technology Co., Ltd. (天津貓眼現場科技有限公司), a company incorporated under the laws of the PRC on June 19, 2018 with limited liability and a joint venture held by the WFOE and Tianjin Maoyan Weying as to 49% and 51% of its equity interests, respectively, and a Consolidated Affiliated Entity
“Maoyan Pictures”	Tianjin Maoyan Pictures Co., Ltd. (天津貓眼影業有限公司), a company incorporated under the laws of the PRC on June 8, 2015 with limited liability and a Consolidated Affiliated Entity
“Maoyan Technology/WFOE”	Tianjin Maoyan Weying Technology Co., Ltd. (天津貓眼微影科技有限公司), a company incorporated under the laws of the PRC on February 5, 2018 with limited liability and a wholly owned subsidiary of our Company
“Meituan”	Meituan (美團) (SEHK Stock Code: 3690), an exempted company with limited liability incorporated under the laws of the Cayman Islands on September 15, 2015, or Meituan and its subsidiaries and consolidated affiliated entities, as the case may be
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“NASDAQ”	National Association of Securities Dealers Automated Quotations
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Nomination Committee”	the nomination committee of the Company

Definitions and Glossary



“Offer Price”	the final offer price of HK\$14.80 per share in connection with the Global Offering and Listing
“Post-IPO Share Options”	options granted under the Post-IPO Share Option Scheme
“Post-IPO Share Option Scheme”	the post-IPO share option scheme of our Company as approved on July 23, 2018, which was adopted by the Company to provide incentives and rewards to individuals and/or entities for their contribution
“PRC” or “China”	the People’s Republic of China, which, for the purpose of this Annual Report only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Pre-IPO Share Options”	options granted under the Pre-IPO Share Option Scheme
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme of our Company as approved on July 23, 2018, which was adopted by the Company as a continuation and restructuring of the employee share incentive scheme originally adopted by Tianjin Maoyan Weying on November 8, 2016
“Prospectus”	the prospectus of the Company dated January 23, 2019
“Registered Shareholders”	Enlight Holdings, Enlight Media, Shanghai Sankuai Technology, Beijing Shiji Weying (or its affiliates, as the case may be), Linzhi Lixin and the Historical ESOP Platforms
“Relevant Businesses”	the businesses of value-added telecommunication services business, movie distribution and radio and television program production, etc.
“Remuneration Committee”	the remuneration committee of the Company
“Reorganization”	the offshore and onshore reorganization as set out in section headed “History and Reorganization – Reorganization” of the Prospectus
“Restricted Share Agreement”	the restricted share agreement entered into among the Company, Mr. Zheng Zhihao and Rhythm Brilliant Limited on July 23, 2018 to recognize and reward the contribution of Mr. Zheng Zhihao to the Group



Definitions and Glossary

“Proxy Agreement”	the amended and restated proxy agreement dated August 9, 2018 entered into among the WFOE, Tianjin Maoyan Weying and the Registered Shareholders
“RMB”	Renminbi, the lawful currency of the PRC
“RSU Scheme”	The RSU Scheme of our Company as approved on July 23, 2018, which was adopted by the Company to reward participants for their contribution to the Group and attract best available personnel
“Ruihai Fangyuan”	Shenzhen Ruihai Fangyuan Technology Co., Ltd (深圳市瑞海方圓科技有限公司), a company incorporated under the laws of the PRC on July 13, 2017 with limited liability and a Consolidated Affiliated Entity
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Maoyan Network”	Shanghai Maoyan Network Technology Co., Ltd. (上海貓演網絡科技有限公司), a company incorporated under the laws of the PRC on February 13, 2019 with limited liability, a wholly-owned subsidiary of Maoyan Live JV
“Shanghai Sankuai Technology”	Shanghai Sankuai Technology Co., Ltd. (上海三快科技有限公司), a company incorporated under the laws of the PRC on December 19, 2012 with limited liability, an operating entity of Meituan and one of our Registered Shareholders
“Share(s)”	ordinary share(s) in the share capital of the Company with a par value of US\$0.00002
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen Stock Exchange” or “SSE”	Shenzhen Stock Exchange (深圳證券交易所)
“Stock Exchange” or “SEHK”	the Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

Definitions and Glossary



“Tencent”	Tencent Holdings Limited (SEHK Stock Code: 700), or Tencent Holdings Limited and/or its subsidiaries, as the case may be
“Tencent Group”	Tencent and its subsidiaries from time to time
“Tencent Music Technology”	Tencent Music Entertainment Technology (Shenzhen) Co., Ltd. (騰訊音樂娛樂科技(深圳)有限公司), a company established under the laws of PRC on February 22, 2017 and an indirect wholly-owned subsidiary of TME
“TME”	Tencent Music Entertainment Group, a company incorporated under the laws of Cayman Islands on June 6, 2012 as an exempted company with limited liability, whose American depositary shares are listed on the New York Stock Exchange (symbol: TME)
“TME Group”	TME and its subsidiaries from time to time
“Tencent Computer”	Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司), a company established in the PRC on November 11, 1998 and a wholly-owned subsidiary of Tencent
“Tianjin Maoyan Weying”	Tianjin Maoyan Weying Cultural Media Co., Ltd. (天津貓眼微影文化傳媒有限公司), formerly known as Tianjin Maoyan Cultural Media Co., Ltd. (天津貓眼文化傳媒有限公司), a company incorporated under the laws of the PRC on May 27, 2015 with limited liability and a Consolidated Affiliated Entity, which is a holding company of all the other Consolidated Affiliated Entities of our Group
“Tianjin Meimao”	Tianjin Meimao Cultural Media Co., Ltd. (天津美貓文化傳媒有限公司), a company incorporated under the laws of the PRC on November 22, 2018, with the limited liability and a Consolidated Affiliated Entity
“Tianjin Caichuang”	Tianjin Caichuang Enterprise Management and Consultation Partnership (Limited Partnership) (天津彩創企業管理諮詢合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on May 6, 2016 and one of our Historical ESOP Platforms



Definitions and Glossary

“Tianjin Caixuan”	Tianjin Caixuan Enterprise Management and Consultation Partnership (Limited Partnership) (天津彩絢企業管理諮詢合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on May 6, 2016 and one of our Historical ESOP Platforms
“Tianjin Caiyi”	Tianjin Caiyi Enterprise Management and Consultation Partnership (Limited Partnership) (天津彩溢企業管理諮詢合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on May 5, 2016 and one of our Historical ESOP Platforms
“Tianjin Caiying”	Tianjin Caiying Enterprise Management and Consultation Partnership (Limited Partnership) (天津彩盈企業管理諮詢合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on May 6, 2016 and one of our Historical ESOP Platforms
“Tianjin Guanghong”	Tianjin Guanghong Enterprise Management and Consultation Partnership (Limited Partnership) (天津光鴻企業管理諮詢合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on May 6, 2016 and one of our Historical ESOP Platforms
“US\$” or “US dollars” or “USD”	U.S. dollars, the lawful currency of the United States of America
“Xinjiang Maoyan Live”	Xinjiang Maoyan Live Technology Co., Ltd. (新疆貓眼現場科技有限公司), a company incorporated under the laws of the PRC on December 21, 2017 with limited liability and currently a wholly owned subsidiary of Beijing Maoyan, and is in the progress of deregistration
“Xinjiang Maoyan Network”	Xinjiang Maoyan Network Technology Co., Ltd. (新疆貓眼網絡科技有限公司), a company incorporated under the laws of the PRC on November 10, 2016 with limited liability and a wholly-owned subsidiary of Beijing Maoyan, and a Consolidated Affiliated Entity
“Year”	the year ended December 31, 2020
“Reporting Period”	period from January 1, 2020 to December 31, 2020
“%”	per cent



Maoyan Entertainment