



MAOYAN ENTERTAINMENT 貓眼娛樂

(Incorporated in the Cayman Islands with limited liability)



Stock Code 貓 1896

1896

2021
Interim 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. Cheng Wu

Mr. Chen Shaohui

Mr. Lin Ning

Mr. Tang Lichun, Troy

Independent Non-executive Directors

Mr. Wang Hua

Mr. Chan Charles Sheung Wai

Mr. Yin Hong

Ms. Liu Lin

AUDIT COMMITTEE

Mr. Chan Charles Sheung Wai (*Chairman*)

Mr. Wang Hua

Ms. Liu Lin

NOMINATION COMMITTEE

Mr. Wang Hua (*Chairman*)

Mr. Chan Charles Sheung Wai

Mr. Zheng Zhihao

REMUNERATION COMMITTEE

Mr. Wang Hua (*Chairman*)

Ms. Liu Lin

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

Corporate Information

LEGAL ADVISORS

As to Hong Kong law:

Clifford Chance

As to Cayman Islands law:

Walkers (Hong Kong)

As to the PRC law:

Commerce & Finance Law Offices

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 interim results for the six months ended June 30, 2021.

FINANCIAL HIGHLIGHTS

Our revenue increased to RMB1,799.8 million in the first half of 2021 from RMB203.1 million in the first half of 2020. Our gross profit was RMB1,045.5 million in the first half of 2021, compared with the gross loss of RMB20.6 million in the first half of 2020. Our net profit for the period was RMB387.1 million in the first half of 2021, compared with the net loss for the period of RMB430.7 million in the first half of 2020. Our adjusted EBITDA for the period was RMB625.7 million in the first half of 2021, compared with adjusted LBITDA of RMB283.6 million in the first half of 2020, whereas our adjusted net profit^(Note) was RMB484.2 million in the first half of 2021, compared with the adjusted net loss of RMB307.1 million in the first half of 2020.

BUSINESS REVIEW AND OUTLOOK

BUSINESS REVIEW

Online Entertainment Ticketing Services

In the first half of 2021, the movie market continued to recover in China. As of June 30, 2021, the total box office of Chinese movie market amounted to RMB27.57 billion. In particular, the box office performance during the New Year's Day, Spring Festival, Qingming Festival and Labor Day holidays in 2021 all exceeded the box office performance during the same period in 2019, demonstrating the strong recovery and room for further development of the Chinese movie market.

As a leading movie ticketing service provider in China, we persisted in paying attention to and strengthening our services and assistance to the movie industry and our partners, and constantly improve our platform capabilities and services by the launch of co-member format, one-click block booking (一鍵包場), the continuous optimization of the ticketing system and other measures, to improve the viewer activity and increase the profitability and operation efficiency of movie theaters.

Our live entertainment ticketing business was also progressing and developing steadily. We have become the leading live entertainment ticketing service provider in China, providing services covering concerts, stage plays, talk shows, e-sports events, leisure exhibitions, music festivals and immersive escape rooms, etc. In the first half of 2021, we provided general ticketing agency services for various high-quality shows and events, such as the famous Monet & Impressionists Masterpieces, the MIDI Festival 2021, and the King Pro League 2021, etc.

Note: In the first half of 2021 and 2020, we defined adjusted net profit/(loss) as net profit/(loss) for the six months adjusted by adding back share-based compensation and amortization of intangible assets resulting from business combinations.

CEO's Statement

Entertainment Content Services

Relying on the integration of professional experience and technological capabilities, as well as the continuous consolidation and improvement of management structure and capabilities, we have become a leading promoter and distributor of domestic movies and also a premium movie investor and developer with an abundant content reserves, strong promotion and distribution resources and capabilities of domestic movies. We formed efficient and accurate movie distribution services and resource integration capabilities, and achieved breakthrough growth in the first half of 2021.

In the first half of 2021, we participated in the production/distribution of 19 movies, which realized a box office of approximately RMB16.46 billion, accounting for 74% of the national box office of domestic movies in the same period. Among them, we participated in the distribution of a total of 12 movies. As of the end of the Reporting Period, we participated in the production/distribution for all of the top 5 domestic movies in terms of box office in China released in the first half of 2021.

During the Reporting Period, all movies we participated in had outstanding performances in the relevant major seasons:

- During the 2021 New Year's Day holiday, A Little Red Flower (送你一朵小紅花) and The Warm Hug (溫暖的抱抱), of which we participated in the production/distribution, ranked first and second respectively in terms of box office in the period;
- During the 2021 Spring Festival holiday, among the 7 movies starting to be released on the first day of the lunar year, we participated in 5 movies, which contributed more than 94% of the total box office of the period. Among them, Hi, Mom (你好·李煥英), of which we acted as the producer and lead distributor, had an outstanding performance and recorded a box office of more than RMB5.4 billion, being the highest-grossing movie of the period and ranking second historically in terms of domestic movie box office performance;
- During the 2021 Qingming Festival holiday, the Sister (我的姐姐), of which we participated in the production, had an outstanding performance and was the highest-grossing movie of the period, contributing nearly half of the total box office in the period;
- During the 2021 Labor Day holiday, movies including the Cliff Walkers (懸崖之上) and Once upon a Time in Hong Kong (追虎擒龍) achieved excellent performances, of which we participated in the production/distribution.

In July and August 2021, the movies we participated in, such as "1921", The Doctors (中國醫生), Raging Fire (怒火·重案), Upcoming Summer (盛夏未來), White Snake 2: Green Snake (白蛇2：青蛇劫起), were also released successively, all performed well in terms of box office and reputation. There will be a series of quality movies that we act as producer/distributor at opportune time, such as Justices Seeker (檢察風雲), G storm 5 (反貪風暴5), Theory of Ambitions (風再起時), Myna Bird (被害人), Warriors of Future (明日戰記), Knock Knock (不速來客), Farewell, My Lad (再見·少年).

CEO's Statement

We continued to cultivate the self-production of movies and TV series, further consolidate our own IP and strive to become a producer of high-quality contents. We have gradually established a professional movie and television self-production management system, continued to integrate resources and strengthened self-production capabilities. At present, we have a relatively abundant self-produced movie reserves. Among them, *After Back To The Wharf* (風平浪靜) and *On Your Mark* (了不起的老爸) have been released and performed well both in box office performance and reputation. In the future, there will be more movies self-produced by us to be launched successively, including *A Film Is Born* (揚名立萬) and *Moses on the Plain* (平原上的摩西), the release schedules of which have been finalized, and *Flaming Cloud* (三貴情史), *The Woman in the Storm* (我經過風暴) and *Game Start* (天才遊戲), etc. to be released as appropriate.

In addition to cinema movies, we were also constantly strengthening the production of other types of contents to expand our presence across the pan-entertainment industry. Currently, we have more than 10 TV series and online movie projects under production. Among them, production of *The Last Straw* (落水者) and *Blinding Elephant* (盲區), each being a legal drama TV series developed and produced by us, were completed in July 2021 and both will be broadcasted exclusively on Youku later. In addition, *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 and certain online movies self-produced by us will also be released successively.

In addition, our efforts in improving promotion and distribution capabilities are also proved to be effective. As a top-notch domestic movie distributor and a leading pan-entertainment marketing platform, we continued to improve our product capabilities, iterative cognition and system capabilities. Now we have established a professional promotion and distribution team with outstanding promotion and distribution capabilities to continuously upgrade our standardized and customized promotion and distribution products. We gradually form our unique intelligent promotion and distribution product system and one-stop network-wide promotion and distribution capabilities. We have also achieved industry-leading promotion and distribution service coverage of cinema movie projects, for example, we provided various promotion and distribution services fully covered 100% of the cinema movies during major seasons such as Spring Festival, Qingming Festival and Labor Day holidays in 2021. The “real-time wish-list gathering” (實時想看) and “real-time pre-sale” (實時預售), two indicators supported by us, have been recognized as standard indicators of the industry with increasingly higher industry authority and provided professional tool-like services and support for the promotion and distribution work of our partners in the industry. Further, we continued to launch innovative marketing products and marketing programs, such as “Maoyan’s word-of-mouth marketing” (貓眼口碑營銷), “cloud block booking” (雲包場) and other products, which have been widely recognized by the market and further demonstrated our professional promotion and distribution capabilities.

Advertising Services and Others

We continue to build a marketing platform, expand and diversify advertising resources to cover all online and offline entertainment scenarios. During the Reporting Period, the number of both monthly active users and daily active users of Maoyan app and Maoyan Pro app recorded new highs. The total number of users of our Maoyan applet ecosystem covering Douyin, WeChat, Baidu and other platforms has exceeded 450 million and is growing continuously.

CEO's Statement

Maoyan Pro has always been committed to helping improve the efficiency and transparency of the industry from the availability of box office, movie schedule, attendance, box office forecast and other basic movie data services to the launch of online movie box office list, movie popularity list, webcast popularity list, TV ratings list, short video popularity list and other lists of various types and channels, and further to the movie promotion and distribution list covering the 6 major lists, i.e. the real-time wish list, real-time pre-sale list, WeChat index list, Baidu index list, Douyin's relevant index lists and Weibo's relevant index lists.

In addition, we continued to improve the commercialization capabilities based on industrial big data service. During the Reporting Period, our industrial big data service business provided support to more than 40 projects, covering various seasons, such as the New Year, Spring Festival, Qingming, Labor Day and summer vacation. We continued to expand our service model and have published a number of industrial data reports (including movie market data insights of major seasons, research on online movie market and in-depth research on movie schedules, etc.) to share our industrial data research capabilities with the public, supporting industry participants to better understand the changes and trends of the market.

Outlook

Looking forward, we will continue to devote ourselves to the pan-entertainment industry. Based on "Technology+Pan-Entertainment", our core development strategy, we will continue to produce diversified contents with excellent quality and positive values, strengthen business synergy and value aggregation, and strive to create more value for the pan-entertainment industry and society. Meanwhile, given the industry we are operating in, the core needs of our development and the challenges and business possibilities we are facing, we will constantly expand the business portfolio, achieve long-term development and continuously improve competitiveness and risk resistance capacity. We are willing to work together and grow up steadily with our partners to embrace the bright future of the industry.

Last but not least, we would like to express our sincere gratitude to all of our colleagues, shareholders and industry partners for their trust and support. Let us forge ahead together and generate greater values for the industry!

Executive Director and Chief Executive Officer

ZHENG Zhihao

Hong Kong

August 19, 2021

Management Discussion and Analysis

INTERIM PERIOD REVIEW

	Six months ended June 30,			
	2021		2020	
	RMB million (Unaudited)	%	RMB million (Unaudited)	%
Revenue	1,799.8	100.0	203.1	100.0
Cost of revenue	(754.3)	(41.9)	(223.7)	(110.1)
Gross profit/(loss)	1,045.5	58.1	(20.6)	(10.1)
Selling and marketing expenses	(320.8)	(17.8)	(170.8)	(84.1)
General and administrative expenses	(178.6)	(9.9)	(204.3)	(100.6)
Net impairment losses on financial assets	(41.6)	(2.3)	(135.6)	(66.8)
Other income	8.1	0.5	122.0	60.1
Other losses, net	(3.1)	(0.2)	(15.2)	(7.5)
Operating profit/(loss)	509.5	28.4	(424.5)	(209.0)
Finance income	16.6	0.9	12.3	6.1
Finance costs	(17.9)	(1.0)	(20.1)	(9.9)
Finance costs, net	(1.3)	(0.1)	(7.8)	(3.8)
Share of losses of investments accounted for using the equity method	(1.0)	(0.1)	(0.3)	(0.1)
Profit/(loss) before income tax	507.2	28.2	(432.6)	(212.9)
Income tax (expenses)/credits	(120.1)	(6.7)	1.9	0.9
Profit/(loss) for the period	387.1	21.5	(430.7)	(212.0)
Non-IFRS Measures:				
EBITDA/(LBITDA)	597.7	33.2	(338.1)	(166.5)
Adjusted EBITDA/(LBITDA)	625.7	34.8	(283.6)	(139.6)
Adjusted net profit/(loss) ^(Note)	484.2	26.9	(307.1)	(151.2)

Note: In the first half of 2021 and 2020, we defined adjusted net profit/(loss) as net profit/(loss) for the six months adjusted by adding back share-based compensation and amortization of intangible assets resulting from business combinations.

Management Discussion and Analysis

Revenue

Our revenue increased from RMB203.1 million in the first half of 2020 to RMB1,799.8 million in the first half of 2021. This increase was primarily due to increases in the revenue from the online entertainment ticketing services, the entertainment content services and the advertising services and others as the China's film market recovered steadily with the good control of domestic epidemic in the first half of 2021. The following table sets forth our revenues by service in the first half of 2020 and 2021.

	Six months ended June 30,			
	2021		2020	
	RMB million (Unaudited)	%	RMB million (Unaudited)	%
Revenue				
Online entertainment ticketing services	1,013.5	56.3	103.8	51.1
Entertainment content services ^(note)	660.1	36.7	15.6	7.7
Advertising services and others	126.2	7.0	83.7	41.2
Total	1,799.8	100.0	203.1	100.0

Note: This amount included fair value loss on the Group's investments in movies and TV series amounting to RMB8.3 million for the six months ended June 30, 2021 (for the six months ended June 30, 2020: fair value gain of RMB10.7 million).

Online entertainment ticketing services

Revenue from our online entertainment ticketing business increased from RMB103.8 million in the first half of 2020 to RMB1,013.5 million in the first half of 2021. Such increase was mainly due to the fact that more theaters in China had resumed operations since the second half of 2020. The gross box office and the number of audiences in China in the first half of 2021 has increased significantly compared with the first half of 2020.

Entertainment content services

Revenue from our entertainment content services increased from RMB15.6 million in the first half of 2020 to RMB660.1 million in the first half of 2021. Such increase was mainly because some of the film and television projects that the Group participated in performed well in the first half of 2021. For example, the movie "Hi, Mom (你好·李焕英)", of which the Group acted as the producer and lead distributor, recorded a box office of RMB5.4 billion, ranking the second in the history of China's movies, and the movie "On Your Mark (了不起的老爸)" independently developed and produced by the Group has gained both good reputation and box office success.

Advertising services and others

Revenue from our advertising services and others increased by 50.8% from RMB83.7 million in the first half of 2020 to RMB126.2 million in the first half of 2021, which was primarily due to the increase in advertising demand of our advertisers as a result of the recovery of the pandemic.

Management Discussion and Analysis

Cost of revenue

Our cost of revenue increased by 237.2% from RMB223.7 million in the first half of 2020 to RMB754.3 million in the first half of 2021. The increase in our cost of revenue was mainly due to an increase in ticketing system cost (which was in line with the increase in our revenue from online movie ticketing services), an increase in Internet infrastructure cost (which was in line with the level of investment in infrastructure cost under our normal operations) as well as an increase in content production cost and content distribution and promotion cost (which was in line with the increase in our revenue from 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 revenue for the period indicated:

	Six months ended June 30,					
	2021			2020		
	RMB million (Unaudited)	% of cost	% of revenue	RMB million (Unaudited)	% of cost	% of revenue
Ticketing system cost	246.5	32.7	13.7	38.9	17.4	19.2
Internet infrastructure cost	122.7	16.3	6.8	53.4	23.9	26.3
Content distribution and promotion cost	199.1	26.4	11.1	28.3	12.7	13.9
Content production cost	41.4	5.5	2.3	8.5	3.8	4.2
Amortization of intangible assets	68.9	9.1	3.8	68.9	30.8	33.9
Depreciation of property, plant and equipment	6.8	0.9	0.4	4.1	1.8	2.0
Other expenses	68.9	9.1	3.8	21.6	9.6	10.6
Total	754.3	100.0	41.9	223.7	100.0	110.1

Gross Profit and Gross Margin

We turned around from a gross loss of RMB20.6 million in the first half of 2020 to a gross profit of RMB1,045.5 million in the first half of 2021, and our gross margin was negative 10.1% and positive 58.1% in the first half of 2020 and 2021, respectively. The changes in our gross profit and gross margin were primarily due to a significant increase in our revenue resulting from improvement of the domestic film market with COVID-19 under effective control in China, while the fixed cost in our cost of revenue (such as Internet infrastructure costs and amortization of intangible assets) did not increase at the same proportion accordingly.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 87.8% from RMB170.8 million in the first half of 2020 to RMB320.8 million in the first half of 2021, primarily due to the increase in daily operation marketing expenses as a result of the effective control of the pandemic.

General and Administrative Expenses

Our general and administrative expenses decreased by 12.6% from RMB204.3 million in the first half of 2020 to RMB178.6 million in the first half of 2021. This was mainly due to the improvement of internal operation efficiency as a result of the Company's cost control measures during the Reporting Period.

Management Discussion and Analysis

Net Impairment Losses on Financial Assets

We had net impairment losses on financial assets of RMB41.6 million in the first half of 2021, compared to our net impairment losses on financial assets of RMB135.6 million in the first half of 2020. We evaluated the expected credit loss of financial assets as at June 30, 2021 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.

Other Income and Other Losses, Net

We had other income and other losses, net of RMB5.0 million in the first half of 2021, compared to RMB106.8 million in the first half of 2020, which was primarily due to the decrease in government subsidies received in the first half of 2021 compared with the first half of 2020.

Operating Profit/(Loss)

As a result of the foregoing, our operating profit was RMB509.5 million in the first half of 2021, compared to an operating loss of RMB424.5 million in the first half of 2020.

Finance Costs, Net

We had finance costs, net of RMB1.3 million in the first half of 2021, compared to RMB7.8 million in the first half of 2020. The decrease was primarily due to the improvement of fund management efficiency, which in turn resulted in an increase in finance income and a decrease in finance costs, net.

Income Tax (Expenses)/Credits

We had income tax expenses of RMB120.1 million in the first half of 2021, compared to income tax credits of RMB1.9 million in the first half of 2020. This was primarily due to our significantly improved overall profitability.

Non-IFRS Financial Measures

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

Management Discussion and Analysis

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

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

	Six months ended June 30,	
	2021 RMB million (Unaudited)	2020 RMB million (Unaudited)
Reconciliation of net profit/(loss) to adjusted net profit/(loss)		
Net profit/(loss) for the period	387.1	(430.7)
Add:		
Share-based compensation	28.0	54.5
Amortization of intangible assets resulting from business combinations	69.1	69.1
Adjusted net profit/(loss)^(Note)	484.2	(307.1)

Note: In the first half of 2021 and 2020, we defined adjusted net profit/(loss) as net profit/(loss) for the six months adjusted by adding back share-based compensation and amortization of intangible assets resulting from business combinations.

Management Discussion and Analysis

	Six months ended June 30,	
	2021 RMB million (Unaudited)	2020 RMB million (Unaudited)
Reconciliation of operating profit/(loss) to EBITDA/(LBITDA) and adjusted EBITDA/(LBITDA)		
Operating profit/(loss) for the period	509.5	(424.5)
Add:		
Depreciation of property, plant and equipment	10.9	8.9
Amortization of intangible assets	70.5	70.7
Depreciation of right-of-use assets	6.8	6.8
EBITDA/(LBITDA)^(Note)	597.7	(338.1)
Add:		
Share-based compensation	28.0	54.5
Adjusted EBITDA/(LBITDA)^(Note)	625.7	(283.6)

Note: In the first half of 2021 and 2020, we defined EBITDA/(LBITDA) as operating profit/(loss) for the period adjusted for depreciation and amortization expenses. We added back share-based compensation to EBITDA/(LBITDA) to derive adjusted EBITDA/(LBITDA).

Management Discussion and Analysis

OTHER FINANCIAL INFORMATION

Capital Structure

The Company continued to maintain a healthy and sound financial position. Our total assets changed from RMB10,608.5 million as of December 31, 2020 to RMB11,034.3 million as of June 30, 2021, whilst our total liabilities decreased from RMB2,985.5 million as of December 31, 2020 to RMB2,926.9 million as of June 30, 2021. Liabilities-to-assets ratio decreased from 28.1% as of December 31, 2020 to 26.5% as of June 30, 2021.

As of June 30, 2021, we pledged bank deposits of RMB90.0 million as securities for bank borrowings.

Liquidity, Financial Resources, and Gearing

We have historically funded our cash requirements principally from cash generated from operations, and to a lesser extent, equity and debt financing. We adopt prudent treasury policies in cash and financial management. To achieve better risk control and minimise cost of funds, our treasury activities are centralised. Cash is generally placed in short-term deposits mostly denominated in RMB or 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 June 30, 2021, we had cash and cash equivalents and other forms of bank deposits of RMB2,113.4 million. Meanwhile, we also had wealth management products valued at RMB600.0 million, which were predominantly denominated in RMB. Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash generated from operating activities, other funds raised from the capital markets from time to time and the net proceeds received from the global offering of the Company.

As of June 30, 2021, our total borrowings were approximately RMB876.5 million, which were all bank borrowings denominated in RMB. The following table sets forth further details of our banking borrowings as of June 30, 2021:

	RMB million	Interest rate
Secured	180.0	2.90%
Guaranteed	626.5	3.65%~5.85%
Unsecured	70.0	3.85%
Total	876.5	N/A

As of June 30, 2021, we had unutilized banking facilities of RMB563.5 million.

As of June 30, 2021, we did not have any significant contingent liabilities.

Management Discussion and Analysis

We monitor capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and financial liabilities at fair value through profit or loss, net of cash and cash equivalent, restricted bank deposits and term deposit with original maturity over three months. Total capital is calculated as “equity” as shown in the consolidated statement of financial position. As at June 30, 2021 and December 31, 2020, the Group has a net cash position.

Capital Expenditure

Our capital expenditures primarily included purchase of property, plant and equipment and intangible assets. Our capital expenditures increased by 29.3% to RMB9.7 million in the first half of 2021 from RMB7.5 million in the first half of 2020. We plan to fund our planned capital expenditures using cash generated from operations.

Material Acquisitions, Disposals and Future Plans for Major Investments

The Group did not have any other plans for major investments and capital assets as of June 30, 2021. During the six months ended June 30, 2021, we did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Significant Investments Held

The Company did not hold any significant investments as of June 30, 2021.

Foreign Exchange Risk Management

Our businesses are principally conducted in RMB, which is exposed to foreign currency risk with respect to transactions denominated in currencies other than RMB. Foreign exchange risk arises from recognized assets and liabilities and net investments in foreign operations. We manage foreign exchange risk by performing regular reviews of our foreign exchange exposures and try to minimize these exposures through natural hedges, wherever possible, and may enter into forward foreign exchange contracts, when necessary. We did not enter into any forward contract or other financial instruments to hedge our exposure to foreign currency risk in the first half of 2021.

Management Discussion and Analysis

Employees and Remuneration Policy

As of June 30, 2021, we had 886 full-time employees, 884 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.

As required under the PRC regulations, we participate in housing fund and various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, maternity, work-related injury and unemployment benefit plans, under which the Group and the PRC based employees are required to make monthly contributions to these plans at specified percentages of the salaries of the employees. There was no forfeited contribution utilized to offset employers' contributions for the year ended December 31, 2020 and the six months ended June 30, 2021, and there was no forfeited contribution available to reduce the contribution.

EVENTS AFTER THE REPORTING PERIOD

No important events affecting the Company occurred since June 30, 2021 and up to the date of this interim report.

Other Information

INTERIM DIVIDEND

The Board has resolved not to pay any interim dividend for the six months ended June 30, 2021.

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

AUDIT COMMITTEE

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

The Audit Committee, together with management and the Auditor, have reviewed the unaudited condensed consolidated results of the Group for the six months ended June 30, 2021.

CHANGES TO DIRECTORS' INFORMATION

Save as disclosed in this interim report, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

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

Other Information

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The Shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date with net proceeds received by the Company from the global offering in the amount of approximately HK\$1,839.3 million after deducting underwriting commissions and all related expenses. The following table sets forth the Company's use of the proceeds from the Listing and the planned timetable as of June 30, 2021.

Intended use of net proceeds	Allocation of net proceeds	Amount of net proceeds utilized as of June 30, 2021	Balance of net proceeds as of June 30, 2021	Expected timeline for balance of net proceeds
Funding for improving integrated platform capabilities	551.8	232.3	319.5	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.

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at June 30, 2021, 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	1.69
	Beneficial owner	Long Position	19,938,539 ²	1.75
Mr. WANG Changtian ³	Interest in controlled corporations	Long Position	312,722,773	27.40
		Short Position	158,743,072	13.91
Ms. WANG Jian	Beneficial owner	Long Position	450,000	0.04

Notes:

- As at June 30, 2021, 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.
- These interests include 15,066,000 options granted by the Company to Mr. ZHENG Zhihao under the Post-IPO Share Option Scheme on January 19, 2021, entitling him to subscribe for 15,066,000 shares in our Company. As of June 30, 2021, Mr. ZHENG Zhihao has not exercised any options.
- As at June 30, 2021, 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 Holding as to 42.6% 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 and elsewhere in this interim report, as at June 30, 2021, 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.

Other Information

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

As at June 30, 2021, 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	10.45
		Short Position	158,743,072	13.91
Hong Kong Pictures International Limited	Beneficial owner	Long Position	193,486,220	16.95
Inspired Elite Investments Limited ¹	Beneficial owner	Long Position	82,693,975	7.25
Meituan ¹	Interest in controlled corporations	Long Position	82,693,975	7.25
Crown Holdings Asia Limited ¹	Interest in controlled corporations	Long Position	82,693,975	7.25
Songtao Limited ¹	Interest in controlled corporations	Long Position	82,693,975	7.25
TMF (Cayman) Ltd. ¹	Trustee	Long Position	82,693,975	7.25
Wang Xing ¹	Interest in controlled corporations	Long Position	82,693,975	7.25
Image Flag Investment (HK) Limited ²	Beneficial owner	Long Position	157,169,260	13.77
Tencent ²	Interest in controlled corporations	Long Position	157,169,260	13.77
Weying (BVI) Limited	Beneficial owner	Long Position	110,198,429	9.66
Interstellar Investment Ltd. ³	Beneficial owner	Long Position	66,127,317	5.79
NottingHill Investment Ltd. ³	Interest in controlled corporations	Long Position	66,127,317	5.79
FountainVest China Capital Partners Fund III, L.P. ³	Interest in controlled corporations	Long Position	66,127,317	5.79
FountainVest China Capital Partners GP3 Ltd. ³	Interest in controlled corporations	Long Position	66,127,317	5.79

Other Information

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 June 30, 2021, 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.

Other Information

EMPLOYEE INCENTIVE SCHEMES

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.

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, 2021	Granted during the period	Exercised during the period	Weighted average closing price immediately prior to grant date (HK\$)	Lapsed during the period	Cancelled during the period	Outstanding as of June 30, 2021	Vesting Period (note)
Employee	0.1009	2016/8/1 to 2018/3/1	Eight years from the date of grant	NA	3,302,465	-	2,170,266	13.3973	7,873	3,086	1,121,240	1(a)
	14.8000	2018/2/1 to 2018/8/1	Eight years from the date of grant	NA	9,738,506	-	166,928	15.3305	180,842	137,085	9,253,651	1(b)
	14.8000	2018/4/11 to 2018/6/1	Eight years from the date of grant	NA	7,710,890	-	-	-	-	-	7,710,890	1(a)
Total					20,751,861	-	2,337,194	-	188,715	140,171	18,085,781	

Notes:

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

Other Information

b. Category B

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

Post-IPO Share Option Scheme

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.

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	Outstanding as of January 1, 2021	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as of June 30, 2021	Vesting Period (Notes)
Employee	16.2000	2019/5/2	Ten years from the date of grant	16.1000	50,000	-	-	-	-	50,000	1(b)
	14.7600	2019/5/10	Ten years from the date of grant	14.1000	2,944,788	-	165,594	12,470	127,527	2,639,197	1(b)
					293,015	-	-	77,110	77,110	138,795	1(a)
	11.4360	2019/11/1	Ten years from the date of grant	11.3200	230,200	-	-	-	50,000	180,200	1(b)
	10.5000	2020/4/29	Ten years from the date of grant	10.3200	2,032,822	-	-	-	48,552	1,984,270	1(a)
					275,000	-	-	-	-	275,000	1(b)
Director Mr. ZHENG Zhihao	13.1360	2021/1/19	Ten years from the date of grant	12.6200	-	15,066,000	-	-	-	15,066,000	1(a)
Total					5,825,825	15,066,000	165,594	89,580	303,189	20,333,462	

Notes:

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

Other Information

RSU Scheme

The RSU Scheme is adopted on the Adoption Date and 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.

Movements of RSU Scheme during the Reporting Period are as follows:

Category	Date of grant	Closing price immediately prior to grant (HK\$)	Outstanding as of January 1, 2021	Granted during the period	Vested during the period	Lapsed during the period	Cancelled during the period	Outstanding as of June 30, 2021
Employee	2019/5/2	16.1000	655,425	-	327,712	-	-	327,713
	2019/10/8	12.0200	2,568,980	-	-	-	2,568,980	-
	2019/11/1	11.3200	629,200	-	-	-	-	629,200
	2020/4/29	10.3200	7,960,411	-	1,912,710	-	743,687	5,304,014
	2021/5/1	15.4800	-	449,378	-	-	-	449,378
Total			11,814,016	449,378	2,240,422	-	3,312,667	6,710,305

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this interim report, at no time during the Reporting Period and up to the date of this interim report was the Company or any of its subsidiaries or holding company or any subsidiary of the Company's holding company, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

Other Information

QUALIFICATION REQUIREMENTS

Updates in Relation to the Qualification Requirements

On December 11, 2001, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (the “FITE Regulations”), which were amended on September 10, 2008 and February 6, 2016. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in and a proven track record of operating value-added telecommunications businesses overseas (the “Qualification Requirements”). Foreign investors that meet these requirements must obtain approvals from the Ministry of Industry and Information Technology of the PRC (“MIIT”) and the Ministry of Commerce of the PRC or their authorized local counterparts which retain considerable discretion in granting such approvals. Currently none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirements. MIIT issued a guidance memorandum on the application requirement for establishing foreign-invested value-added telecommunications enterprises in the PRC on its website. According to this guidance memorandum, an applicant is required to provide, among other things, its annual reports for the past three years, satisfactory proof of the Qualification Requirements and business development scheme. The guidance memorandum does not provide any further guidance on more proof, record or document required to support the proof satisfying the Qualification Requirements. Further, this guidance memorandum does not purport to provide an exhaustive list on the application requirements.

Efforts and Actions Undertaken to Comply with the Qualification Requirements

Despite the lack of clear guidance or interpretation on the Qualification Requirements, we are gradually building up our track record of overseas telecommunications business operations and had taken the following steps:

- we set up a subsidiary in Hong Kong, namely Hong Kong Maoyan Live Entertainment Limited, to operate our overseas online ticketing business;
- we have successfully registered a series of trademarks; and
- we are operating our overseas website, www.entertainmentplus.hk, which is positioned to further attract and build up overseas customer base.

Report on Review of Interim Financial Information



羅兵咸永道

To the Board of Directors of Maoyan Entertainment

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 27 to 81, which comprises the interim condensed consolidated statement of financial position of Maoyan Entertainment (the “Company”) and its subsidiaries (together, the “Group”) as at June 30, 2021 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, August 19, 2021

Interim Condensed Consolidated Statement of Comprehensive Income

	Note	Six months ended June 30,	
		2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Revenue	6	1,799,790	203,050
Cost of revenue	7	(754,340)	(223,609)
Gross profit/(loss)		1,045,450	(20,559)
Selling and marketing expenses	7	(320,803)	(170,827)
General and administrative expenses	7	(178,640)	(204,379)
Net impairment losses on financial assets	19,20	(41,579)	(135,555)
Other income	8	8,160	121,986
Other losses, net	8	(3,092)	(15,174)
Operating profit/(loss)		509,496	(424,508)
Finance costs, net	9	(1,320)	(7,758)
Share of losses of investments accounted for using the equity method	15	(983)	(367)
Profit/(loss) before income tax		507,193	(432,633)
Income tax (expenses)/credits	10	(120,116)	1,979
Profit/(loss) for the period		387,077	(430,654)
Profit/(loss) attributable to:			
– Equity holders of the Company		387,077	(430,654)
Earnings/(losses) per share attributable to equity holders of the Company (expressed in RMB per share)			
– Basic earnings/(losses) per share	11	0.34	(0.38)
– Diluted earnings/(losses) per share	11	0.34	(0.38)

Interim Condensed Consolidated Statement of Comprehensive Income

	Note	Six months ended June 30,	
		2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Profit/(loss) for the period		387,077	(430,654)
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss</i>			
Currency translation differences from the Company		(10,729)	28,814
Changes in the fair value of equity investments at fair value through other comprehensive income	16	75,681	5,388
Other comprehensive income for the period, net of tax		64,952	34,202
Total comprehensive income/(loss) for the period		452,029	(396,452)
Total comprehensive income/(loss) attributable to:			
– Equity holders of the Company		452,029	(396,452)

The accompanying notes on pages 35 to 81 form an integral part of the interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Financial Position

	<i>Note</i>	As at June 30, 2021 (Unaudited) RMB'000	As at December 31, 2020 (Audited) RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	24,765	26,082
Right-of-use assets	14	14,805	21,639
Intangible assets	13	5,131,993	5,204,121
Investments accounted for using the equity method	15	45,638	37,121
Financial assets at fair value through other comprehensive income	16	368,209	316,265
Financial assets at fair value through profit or loss	17	25,000	28,313
Deferred income tax assets	18	11,855	11,930
Prepayments, deposits and other receivables	20	34,213	63,675
		5,656,478	5,709,146
Current assets			
Inventories		24,251	35,154
Accounts receivable	19	467,325	318,970
Prepayments, deposits and other receivables	20	1,994,117	1,853,259
Financial assets at fair value through profit or loss	17	778,771	397,864
Term deposit with original maturity over three months	21	50,000	–
Restricted bank deposits	21	90,000	154,000
Cash and cash equivalents	21	1,973,351	2,140,149
		5,377,815	4,899,396
Total assets		11,034,293	10,608,542
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	25	154	153
Reserves	26	8,350,848	8,264,140
Accumulated losses		(243,610)	(641,234)
Total equity		8,107,392	7,623,059

Interim Condensed Consolidated Statement of Financial Position

	<i>Note</i>	As at June 30, 2021 (Unaudited) RMB'000	As at December 31, 2020 (Audited) RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	18	144,236	156,456
Lease liabilities	14	1,361	8,620
		145,597	165,076
Current liabilities			
Borrowings	22	876,543	1,013,467
Lease liabilities	14	10,691	14,216
Accounts payable	23	376,925	289,209
Other payables, accruals and other liabilities	24	1,462,285	1,476,012
Current income tax liabilities		54,860	27,503
		2,781,304	2,820,407
Total liabilities		2,926,901	2,985,483
Total equity and liabilities		11,034,293	10,608,542

The accompanying notes on pages 35 to 81 form an integral part of the interim condensed consolidated financial information.

On behalf of the Board

ZHENG Zhihao

Executive Director and Chief Executive Officer

Miao Boshu

Financial Controller

Interim Condensed Consolidated Statement of Changes in Equity

(Unaudited)	Note	Share capital RMB'000	Reserves RMB'000	Accumulated losses RMB'000	Total equity RMB'000
As at January 1, 2021		153	8,264,140	(641,234)	7,623,059
Comprehensive income					
Profit for the period		–	–	387,077	387,077
Other comprehensive income					
– Currency translation differences	26	–	(10,729)	–	(10,729)
– Changes in the fair value of equity investments at fair value through other comprehensive income	16	–	75,681	–	75,681
Total comprehensive income		–	64,952	387,077	452,029
– Transfer of gain upon disposal of equity investments at fair value through other comprehensive income to retained earnings	16	–	(10,547)	10,547	–
Transactions with equity holders of the Company					
Issuance of new shares under share option scheme	25, 26	1	4,283	–	4,284
Share-based compensation expenses	27	–	28,020	–	28,020
Total transactions with equity holders of the Company		1	32,303	–	32,304
As at June 30, 2021		154	8,350,848	(243,610)	8,107,392

Interim Condensed Consolidated Statement of Changes in Equity

(Unaudited)	Note	Share capital RMB'000	Reserves RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total equity RMB'000
As at January 1, 2020		152	8,283,031	4,860	8,288,043
Comprehensive loss					
Loss for the period		–	–	(430,654)	(430,654)
Other comprehensive income					
– Currency translation differences	26	–	28,814	–	28,814
– Changes in the fair value of equity investments at fair value through other comprehensive income	16	–	5,388	–	5,388
Total comprehensive loss		–	34,202	(430,654)	(396,452)
– Transfer of gain upon disposal of equity investments at fair value through other comprehensive income to retained earnings	16	–	(135)	135	–
Transactions with equity holders of the Company					
Issuance of new shares under share option scheme	25, 26	1	190	–	191
Share-based compensation expenses	27	–	54,487	–	54,487
Total transactions with equity holders of the Company		1	54,677	–	54,678
As at June 30, 2020		153	8,371,775	(425,659)	7,946,269

The accompanying notes on pages 35 to 81 form an integral part of the interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows

	Note	Six months ended June 30,	
		2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations		553,241	(426,337)
Interest paid	9	(17,398)	(19,248)
Income tax paid		(104,904)	(78,136)
Net cash generated from/(used in) operating activities		430,939	(523,721)
Cash flows from investing activities			
Purchases of property, plant and equipment	13	(9,632)	(4,449)
Purchases of intangible assets	13	(107)	(3,119)
Proceeds from disposal of property, plant and equipment		74	–
Payments for financial assets at fair value through profit or loss	17	(698,427)	(140,754)
Proceeds from disposals of financial assets at fair value through profit or loss	17	315,734	395,225
Proceeds from disposals of financial assets at fair value through other comprehensive income	16	20,255	4,523
Interest received	9	16,545	12,307
Advance of receivables from investments in movies and TV series	20	(160,579)	(37,195)
Repayment of receivables from investments in movies and TV series	20	50,238	20,950
Advance of loans to third parties	20	(26,884)	(49,316)
Repayment of loans to third parties	20	–	57,141
(Increase)/decrease in term deposit with original maturity over three months	21	(50,000)	100,000
Payments for investments accounted for using the equity method	15	(9,500)	(2,099)
Net cash (used in)/generated from investing activities		(552,283)	353,214

Interim Condensed Consolidated Statement of Cash Flows

	Note	Six months ended June 30,	
		2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Cash flows from financing activities			
Proceeds from borrowings	22	340,200	480,000
Repayments of borrowings	22	(477,124)	(861,600)
Proceeds from third party of loans	24	41,605	74,580
Principal elements of lease payments		(11,251)	(7,016)
Decrease in restricted bank deposits	21	64,000	101,001
Issuance of new shares under share option scheme	25, 26	4,284	191
Net cash used in financing activities		(38,286)	(212,844)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		2,140,149	1,540,414
Exchange (losses)/gains on cash and cash equivalents		(7,168)	14,262
Cash and cash equivalents at end of the period		1,973,351	1,171,325

The accompanying notes on pages 35 to 81 form an integral part of the interim condensed consolidated financial information.

Notes to the Interim Condensed Consolidated Financial Information

1 GENERAL INFORMATION

Maoyan Entertainment (the “Company”) was incorporated in the Cayman Islands on December 8, 2017 as an exempted company with limited liability under the Companies 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, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands. The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited on February 4, 2019.

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

The interim condensed consolidated financial information (“Interim Financial Information”) is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

This Interim Financial Information was approved for issue by the board of directors on August 19, 2021 and has not been audited.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The Interim Financial Information for the six months ended June 30, 2021 has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” and should be read in conjunction with the annual consolidated financial statements for year ended December 31, 2020 (“2020 Financial Statements”), which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

2.2 Summary of significant accounting policies

The accounting policies applied are consistent with those of the 2020 Financial Statements, as described in those annual consolidated financial statements, except for the adoption of amended IFRSs effective as of January 1, 2021. Income tax expense was recognised based on management’s estimate of the annual income tax rate expected for the full financial year.

New and amended standards adopted by the Group

The Group has applied new and amended standards effective for the financial period beginning on January 1, 2021. The adoption of these new and revised standards does not have any significant impact on the interim condensed consolidated financial information.

Notes to the Interim Condensed Consolidated Financial Information

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICY *(Continued)*

2.2 Summary of significant accounting policy *(Continued)*

New and amended standards and interpretations not yet adopted

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

		Effective for annual periods beginning on or after
Amendment to IFRS 16	Covid-19 Related Rent Concessions beyond 30 June 2021	April 1, 2021
Amendments to IFRS 3	Update reference to the conceptual framework	January 1, 2022
Amendments to IAS 16	Proceeds before intended use	January 1, 2022
Amendments to IAS 37	Onerous contracts – cost of fulfilling a contract	January 1, 2022
Annual improvements	Annual improvements to IFRS standards 2018-2020 cycle	January 1, 2022
Amendments to Accounting Guideline 5	Merger accounting for common control combinations	January 1, 2022
Amendments to IAS 1	Classification of liabilities as current or non-current	January 1, 2023
IFRS 17 and Amendments to IFRS 17	Insurance contract	January 1, 2023
IFRS Practice statement 2 and IAS 8	Accounting Policies, Change in Accounting Estimates and Errors	January 1, 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Notes to the Interim Condensed Consolidated Financial Information

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing this Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2020 Financial Statement.

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

4.1 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.

This Interim Financial Information does not include all financial risk management information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the 2020 Financial Statements.

There have been no material changes in the risk management policies since December 31, 2020.

4.2 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.

(a) 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.

(b) 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

Notes to the Interim Condensed Consolidated Financial Information

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

(b) Impairment of financial assets (Continued)

While cash and cash equivalents, restricted bank deposit and term deposits 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.

The expected loss rates are based on the aging profiles of accounts receivables over a period of 48 months before the June 30, 2021 or January 1, 2021 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 June 30, 2021 and December 31, 2020 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 June 30, 2021 (Unaudited)						
On collective basis						
Expected loss rate	4.22%	5.14%	9.79%	18.33%	58.93%	10.71%
Gross carrying amount	373,124	26,747	43,535	30,685	49,287	523,378
Loss allowance provision	15,748	1,374	4,261	5,625	29,045	56,053
On individual basis						
Expected loss rate	–	–	–	–	100.00%	100.00%
Gross carrying amount	–	–	–	–	68,640	68,640
Loss allowance provision	–	–	–	–	68,640	68,640

Notes to the Interim Condensed Consolidated Financial Information

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

(b) 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, 2020 (Audited)						
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

The loss allowances for accounts receivables as at June 30, 2021 and December 31, 2020, reconcile to the opening loss allowances as follows:

	As at June 30, 2021 (Unaudited) RMB'000	As at December 31, 2020 (Audited) RMB'000
At the beginning of the period/year	172,807	51,800
(Reversal of provision)/provision for the period/year	(19,919)	121,007
Write-offs	(28,195)	–
At the end of the period/year	124,693	172,807

Accounts receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Notes to the Interim Condensed Consolidated Financial Information

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

(b) 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 of the Company 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.

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.

Notes to the Interim Condensed Consolidated Financial Information

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

(b) Impairment of financial assets (Continued)

Other receivables (Continued)

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

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.

Notes to the Interim Condensed Consolidated Financial Information

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

(b) Impairment of financial assets (Continued)

Other receivables (Continued)

As at June 30, 2021, the Group provides for expected credit losses against other receivables as follows:

As at June 30, 2021				
Gross carrying amount	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Deposits and receivables for online entertainment ticketing, e-commerce and other services	613,790	3,855	229,526	847,171
Amounts due from related parties	106,863	–	22,804	129,667
Receivables for investment in movies and TV series	171,176	–	15,327	186,503
Loan to third parties	69,055	–	105,309	174,364
Others	21,693	–	31,141	52,834
	982,577	3,855	404,107	1,390,539
Loss allowance	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Deposits and receivables for online entertainment ticketing, e-commerce and other services	927	98	194,708	195,733
Amounts due from related parties	69	–	22,276	22,345
Receivables for investment in movies and TV series	2,795	–	14,679	17,474
Loan to third parties	597	–	96,048	96,645
Others	191	–	27,913	28,104
	4,579	98	355,624	360,301
Expected credit loss rate	0.47%	2.54%	88.00%	25.91%

Notes to the Interim Condensed Consolidated Financial Information

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

(b) Impairment of financial assets (Continued)

Other receivables (Continued)

As at December 31, 2020, the Group provides for credit losses against other receivables as follows:

As at December 31, 2020

Gross carrying amount	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
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
Loss allowance	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
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%

Notes to the Interim Condensed Consolidated Financial Information

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

(b) Impairment of financial assets (Continued)

Other receivables (Continued)

During the six months ended June 30, 2021, the Group has recognized allowance for impairment of approximately RMB61,498,000 (during the year ended December 31, 2020: RMB297,349,000) under the twelve months and lifetime expected losses method.

As at June 30, 2021, the maximum credit risk exposure of other receivables amounted to approximately RMB1,390,539,000 (as at December 31, 2020: RMB1,273,064,000).

4.3 Liquidity risk

Compared to the year ended December 31, 2020, there was no material change in the contractual undiscounted cash outflows for financial liabilities. The Group exercises prudent liquidity risk management by maintaining sufficient cash and bank balances. The Group's liquidity risk is further mitigated through the availability of financing through its own cash resources and the availability of banking facilities to meet its financial commitments. In the opinion of the directors of the Company, the Group does not have any significant liquidity risk.

4.4 Fair value estimation

The table below analyses financial instruments carried at fair value, by the levels of inputs to valuation techniques. The inputs to valuation techniques are categorised into three levels within a fair value hierarchy, as follows:

- Level 1 – Quoted prices unadjusted in active markets for identical assets or liabilities.
- Level 2 – 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 3 – Inputs for the asset or liability that are not based on observable market data that is, unobservable inputs.

Notes to the Interim Condensed Consolidated Financial Information

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

4.4 Fair value estimation (Continued)

The following table presents the Group's financial assets that are measured at fair value as at June 30, 2021.

(Unaudited)	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss				
Investments in wealth management products	–	–	600,000	600,000
Investment in movies and TV series	–	–	178,771	178,771
Unlisted investments	–	–	25,000	25,000
	–	–	803,771	803,771
Financial assets at fair value through other comprehensive income				
Listed investments	311,755	–	–	311,755
Unlisted investments	–	–	56,454	56,454
	311,755	–	56,454	368,209

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

Notes to the Interim Condensed Consolidated Financial Information

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

4.4 Fair value estimation (Continued)

(Audited)	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

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 Interim Condensed Consolidated Financial Information

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

4.4 Fair value estimation (Continued)

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments, and
- for other financial instruments -discounted cash flow analysis.

During the six months ended June 30, 2021 and the year ended December 31, 2020, 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 a semi-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, investments 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.

Notes to the Interim Condensed Consolidated Financial Information

4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

4.4 Fair value estimation (Continued)

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

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 receivable, other receivables, accounts payable, other payables and borrowings approximate to their fair values due to their short maturities.

5 SEGMENT INFORMATION

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

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

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

As at June 30, 2021, substantially all of the non-current assets other than financial assets at fair value through other comprehensive income were located in the PRC.

Notes to the Interim Condensed Consolidated Financial Information

6 REVENUE

	Six months ended June 30,	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Online entertainment ticketing services	1,013,475	103,806
Entertainment content services	668,364	4,958
Advertising services and others	126,248	83,610
	1,808,087	192,374
(Loss)/income from movies and TV series investments (<i>Note 17(b)</i>)	(8,297)	10,676
Total revenue	1,799,790	203,050

	Six months ended June 30,	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Revenue at a point in time	1,041,277	109,269
Revenue over time	766,810	83,105
Total revenue (excluding (loss)/income from movies and TV series investments)	1,808,087	192,374

Notes to the Interim Condensed Consolidated Financial Information

7 EXPENSES BY NATURE

	Six months ended June 30,	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Ticketing system cost	246,452	38,932
Marketing and promotion expenses	240,145	70,239
Content distribution and promotion cost	199,118	28,306
Staff costs excluding share options granted to directors and employees	189,521	198,143
Internet infrastructure cost	122,711	53,444
Amortization of intangible assets (Note 13)	70,489	70,719
Content production cost	41,387	8,548
Share-based compensation expenses (Note 27)	28,020	54,487
Depreciation of property, plant and equipment (Note 13)	10,853	8,906
Tax and levies	7,318	2,949
Depreciation of right-of-use assets (Note 14)	6,834	6,833
Rental expense for short-term and low-value leases (Note 14)	2,055	2,026
Auditor's remuneration	600	600
Other expenses	88,280	54,683
Total cost of revenue, selling and marketing expenses and general and administrative expenses	1,253,783	598,815

During the six months ended June 30, 2021, the Group incurred expenses for the purpose of research and development of approximately RMB104,325,000 (during the six months ended June 30, 2020: approximately RMB119,120,000), which comprised employee benefits expenses of approximately RMB97,396,000 (during the six months ended June 30, 2020: approximately RMB115,785,000).

Notes to the Interim Condensed Consolidated Financial Information

8 OTHER INCOME AND OTHER LOSSES, NET

	Six months ended June 30,	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Other income		
Government subsidies	2,214	114,510
Tax credit of input tax additional deduction	5,946	7,476
	8,160	121,986
Other losses, net		
Fair value changes on wealth management products, listed and unlisted investments classified as financial assets at fair value through profit or loss (<i>Note 17</i>)	3,277	(5,328)
Net foreign exchange losses	(4,601)	(11,876)
Loss on disposal of intangible assets	(1,746)	–
Loss on disposal of property, plant and equipment	(22)	(2)
Others	–	2,032
	(3,092)	(15,174)

Notes to the Interim Condensed Consolidated Financial Information

9 FINANCE COSTS, NET

	Six months ended June 30,	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Finance income:		
– Interest income from bank deposits	16,545	12,307
Finance costs:		
– Interest expense on bank borrowings	(17,398)	(19,248)
– Unwinding of interests on lease liabilities (Note 14)	(467)	(817)
Finance costs, net	(1,320)	(7,758)

10 INCOME TAX EXPENSES/(CREDITS)

	Six months ended June 30,	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Current income tax	132,261	7,611
Deferred income tax (Note 18)	(12,145)	(9,590)
Income tax expenses/(credits)	120,116	(1,979)

Notes to the Interim Condensed Consolidated Financial Information

11 EARNINGS/(LOSSES) PER SHARE

(a) Basic earnings/(losses) per share

	Six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Profit/(loss) attributable to equity holders of the Company (RMB'000)	387,077	(430,654)
Weighted average number of ordinary shares in issue (thousand)	1,118,298	1,110,973
Weighted average number of vested restricted shares in issue (thousand)	21,333	19,277
Total weighted average number of shares in issue (thousand)	1,139,631	1,130,250
Basic earnings/(losses) per share (in RMB)	0.34	(0.38)

Basic earnings/(losses) per share are calculated by dividing the profit/(loss) 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 periods.

Notes to the Interim Condensed Consolidated Financial Information

11 EARNINGS/(LOSSES) PER SHARE *(Continued)*

(b) Diluted earnings/(losses) per share

	Six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Profit/(loss) attributable to equity holders of the Company (RMB'000)	387,077	(430,654)
Total weighted average number of shares in issue (thousand)	1,139,631	1,130,250
Adjustments for share-based compensation – share options (thousand)	1,353	–
Adjustments for share-based compensation – RSUs (thousand)	3,427	–
Weighted average number of shares for diluted earnings per share (thousand)	1,144,411	1,130,250
Diluted earnings/(losses) per share (in RMB)	0.34	(0.38)

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

For the six months ended June 30, 2021, the Company had dilutive potential ordinary shares of share options and restricted stock units (“RSUs”) granted to employee (Note 27). 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 diluted share issues for no consideration which causes dilution to earnings per share, and the RSUs 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.

As the Group incurred loss for six months ended June 30, 2020, the potential ordinary shares were not included in the calculation of the diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for six months ended June 30, 2020, is the same as basic loss per share.

12 DIVIDENDS

No dividends have been paid or declared by the Company during the six months ended June 30, 2021 (during the six months ended June 30, 2020: Nil).

Notes to the Interim Condensed Consolidated Financial Information

13 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment RMB'000	Goodwill RMB'000	Other intangible assets RMB'000
Six months ended June 30, 2020 (Unaudited)			
Opening net book amount	34,421	4,504,884	836,189
Additions	4,449	–	3,119
Disposals	(2)	–	–
Depreciation and amortization	(8,906)	–	(70,719)
Closing net book amount	29,962	4,504,884	768,589
As at June 30, 2020			
Cost	58,267	4,504,884	1,155,104
Accumulated depreciation/amortization	(28,305)	–	(386,515)
Net book amount	29,962	4,504,884	768,589
Six months ended June 30, 2021 (Unaudited)			
Opening net book amount	26,082	4,504,884	699,237
Additions	9,632	–	107
Disposals	(96)	–	(1,746)
Depreciation and amortization	(10,853)	–	(70,489)
Closing net book amount	24,765	4,504,884	627,109
As at June 30, 2021			
Cost	76,895	4,504,884	1,153,013
Accumulated depreciation/amortization	(52,130)	–	(525,904)
Net book amount	24,765	4,504,884	627,109

The Company normally performs goodwill impairment test in the fourth quarter of each year, and there is no indicator for impairment of goodwill as of June 30, 2021. For details of goodwill impairment assessment for the year ended December 31, 2020, please refer to the 2020 Financial Statements.

Notes to the Interim Condensed Consolidated Financial Information

14 LEASES

- (a) Balance recognized in the interim condensed consolidated statement of financial position relating to leases

Right-of-use assets

	Six months ended June 30,	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
At the beginning of the period	21,639	35,305
Depreciation	(6,834)	(6,833)
At the end of the period	14,805	28,472

Lease liabilities

	As at June 30, 2021 (Unaudited) RMB'000	As at December 31, 2020 (Audited) RMB'000
	Current portion	10,691
Non-current portion	1,361	8,620
Total lease liabilities	12,052	22,836

As at June 30, 2021 and December 31, 2020, the carrying amounts of the Group's lease liabilities were denominated in RMB.

Notes to the Interim Condensed Consolidated Financial Information

14 LEASES (Continued)

(b) Amounts recognized in the interim condensed consolidated statement of comprehensive income relating to leases

	Six months ended June 30,	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Depreciation of right-of-use assets (Note 7)	6,834	6,833
Unwinding of interests on lease liabilities (Note 9)	467	817
Rental expenses for short-term and low-value leases (Note 7)	2,055	2,026

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Six months ended June 30,	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
At the beginning of the period	37,121	37,558
Additions	9,500	2,099
Share of losses	(983)	(367)
At the end of the period	45,638	39,290

Notes to the Interim Condensed Consolidated Financial Information

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Six months ended June 30,	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
At the beginning of the period	316,265	356,371
Disposals (a)	(20,255)	(4,523)
Changes in fair value	75,681	5,388
Currency translation differences	(3,482)	4,783
At the end of the period	368,209	362,019

(a) During the six months ended June 30, 2021, the Group disposed portion of the investment in Huanxi Media in the stock market at a consideration of approximately RMB20,255,000 and realised a gain of approximately RMB10,547,000 which was transferred to retained earnings (Note 26).

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at June 30, 2021 (Unaudited) RMB'000	As at December 31, 2020 (Audited) RMB'000
Current assets		
Investments in wealth management products (a)	600,000	195,748
Investments in movies and TV series (b)	178,771	202,116
	778,771	397,864
Non-current assets		
Investments in unlisted investments (c)	25,000	25,000
Investments in listed investments (d)	–	3,313
	25,000	28,313

Notes to the Interim Condensed Consolidated Financial Information

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(a) Investments in wealth management products

Movements in investment in wealth management products were as follows:

	Six months ended June 30,	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
At the beginning of the period	195,748	267,717
Additions	690,000	128,900
Disposals	(288,543)	(378,489)
Changes in fair value	2,795	2,372
At the end of the period	600,000	20,500

The investments in wealth management products mainly represent the investment in wealth management products issued by banks in the PRC with expected investment return rate as at June 30, 2021 ranging from 2.60% to 3.80% (as at December 31, 2020: 2.50%~3.55%). 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, net" in the interim condensed consolidated statement of comprehensive income.

The maximum exposure to credit risk as at June 30, 2021 is the carrying value of these investments in wealth management products. None of the investments is past due or impaired.

Notes to the Interim Condensed Consolidated Financial Information

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(b) Investments in movies and TV series

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

	Six months ended June 30,	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
At the beginning of the period	202,116	214,006
Additions	8,427	11,854
Disposals	(23,475)	(16,736)
Changes in fair value	(8,297)	10,676
At the end of the period	178,771	219,800

(c) Unlisted investments

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

	Six months ended June 30,	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
At the beginning of the period	25,000	48,568
Fair value changes	–	(6,801)
Currency translation differences	–	144
At the end of the period	25,000	41,911

Notes to the Interim Condensed Consolidated Financial Information

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(d) Listed investments

Movements in listed investments were as follows:

	Six months ended June 30,	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
At the beginning of the period	3,313	4,754
Disposal	(3,716)	–
Fair value changes	482	(899)
Currency translation differences	(79)	66
At the end of the period	–	3,921

The Group disposed the investment in listed investments in the stock market at a consideration of approximately RMB3,716,000 and realised a gain of approximately RMB482,000 which are recognized in “Other losses, net” in the interim condensed consolidated statement of comprehensive income.

Notes to the Interim Condensed Consolidated Financial Information

18 DEFERRED INCOME TAX

The analysis of deferred income tax assets and liabilities is as follows:

	As at June 30, 2021 (Unaudited) RMB'000	As at December 31, 2020 (Audited) RMB'000
Total gross deferred tax assets	13,457	14,549
Offsetting	(1,602)	(2,619)
Net deferred income tax assets	11,855	11,930
– to be recovered within 12 months	–	–
– to be recovered after 12 months	11,855	11,930
	11,855	11,930
Total gross deferred tax liabilities	145,838	159,075
Offsetting	(1,602)	(2,619)
Net deferred income tax liabilities	144,236	156,456
– to be recovered within 12 months	24,439	24,439
– to be recovered after 12 months	119,797	132,017
	144,236	156,456
Deferred tax liabilities, net	(132,381)	(144,526)

Notes to the Interim Condensed Consolidated Financial Information

18 DEFERRED INCOME TAX (Continued)

The movements in deferred income tax assets and liabilities during the six months ended June 30, 2021 and 2020, without taking into consideration the offsetting of balances within the same tax jurisdiction, are 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, 2020	13,305	1,244	14,549
Credit to consolidated statement of comprehensive income	40	–	40
As at June 30, 2020 (Unaudited)	13,345	1,244	14,589
As at January 1, 2021	13,305	1,244	14,549
Credit to consolidated statement of comprehensive income	(1,092)	–	(1,092)
As at June 30, 2021 (Unaudited)	12,213	1,244	13,457

Notes to the Interim Condensed Consolidated Financial Information

18 DEFERRED INCOME TAX (Continued)

Deferred 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, 2020	8,898	180,894	189,792
Charge/(credit) to consolidated statement of comprehensive income	2,670	(12,220)	(9,550)
As at June 30, 2020 (Unaudited)	11,568	168,674	180,242
As at January 1, 2021	2,620	156,455	159,075
Credit to consolidated statement of comprehensive income	(1,017)	(12,220)	(13,237)
As at June 30, 2021 (Unaudited)	1,603	144,235	145,838

Notes to the Interim Condensed Consolidated Financial Information

19 ACCOUNTS RECEIVABLE

	As at June 30, 2021 (Unaudited) RMB'000	As at December 31, 2020 (Audited) RMB'000
Related parties (<i>Note 29</i>)	14,413	46,564
Third parties	577,605	445,213
	592,018	491,777
Less: allowance for impairment (<i>Note 4.2(b)</i>)	(124,693)	(172,807)
	467,325	318,970

(a) The carrying amounts of the accounts receivable balances approximated to their fair value as at June 30, 2021 and as at December 31, 2020. All the accounts receivable balances were denominated in RMB.

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

	As at June 30, 2021 (Unaudited) RMB'000	As at December 31, 2020 (Audited) RMB'000
0-90 days	327,034	271,660
91-180 days	37,780	31,383
181-365 days	40,297	33,474
Over 365 days	186,907	155,260
	592,018	491,777

Notes to the Interim Condensed Consolidated Financial Information

20 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at June 30, 2021 (Unaudited) RMB'000	As at December 31, 2020 (Audited) RMB'000
Deposits and receivables for online entertainment ticketing, e-commerce and other services	847,171	916,840
Prepayments for investments in movies and TV series (a)	921,272	879,973
Loans to third parties (b)	174,364	147,480
Amounts due from related parties (Note 29)	129,667	110,267
Receivables from investments in movies and TV series	186,503	76,162
Others	129,654	85,015
	2,388,631	2,215,737
Less: non-current portion	(34,213)	(63,675)
	2,354,418	2,152,062
Less: allowance for impairment (Note 4.2(b))	(360,301)	(298,803)
	1,994,117	1,853,259

- (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 RMB53,500,000, the remaining loans are interest-bearing at fixed rates ranging from 5.00% to 13.00% per annum and are secured by the debtors' certain receivables.

Notes to the Interim Condensed Consolidated Financial Information

21 CASH AND CASH EQUIVALENTS, TERM DEPOSIT WITH ORIGINAL MATURITY OVER THREE MONTHS, AND RESTRICTED BANK DEPOSITS

	As at June 30, 2021 (Unaudited) RMB'000	As at December 31, 2020 (Audited) RMB'000
Cash and bank balances	2,113,351	2,294,149
Restricted bank deposits (a)	(90,000)	(154,000)
Term deposit with original maturity over three months (b)	(50,000)	–
Cash and cash equivalents	1,973,351	2,140,149
Maximum exposure to credit risk	2,113,351	2,294,149

(a) The restricted bank deposits are held by the bank in segregated accounts as securities for bank borrowings (Note 22).

(b) As at June 30, 2021, the term deposit with original maturity over three months carried a interest rate of 3.50% per annum.

22 BORROWINGS

	As at June 30, 2021 (Unaudited) RMB'000	As at December 31, 2020 (Audited) RMB'000
Current		
Bank borrowings – due within one year		
– Secured (a)	180,000	340,000
– Guaranteed (b)	626,543	673,467
– Unsecured (c)	70,000	–
	876,543	1,013,467

Notes to the Interim Condensed Consolidated Financial Information

22 BORROWINGS (Continued)

- (a) As at June 30, 2021, the bank borrowing of RMB180,000,000 was secured by restricted bank deposits of RMB90,000,000 with fixed rate of 2.90% per annum.

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.

- (b) As at June 30, 2021, bank borrowings amounting to RMB626,543,000 were guaranteed by the Company and certain subsidiaries of the Group, with fixed rates of 3.65% to 5.85% per annum.

As at December 31, 2020, bank borrowings amounting to RMB673,467,000 were guaranteed by the Company and certain subsidiaries of the Group, with fixed rates of 3.50% to 5.85% per annum.

- (c) As at June 30, 2021, the bank borrowing of RMB70,000,000 was unsecured with a fixed rates of 3.85% per annum.

- (d) The borrowings on June 30, 2021 and December 31, 2020 were all denominated in RMB with fixed rates.

23 ACCOUNTS PAYABLE

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

	As at June 30, 2021 (Unaudited) RMB'000	As at December 31, 2020 (Audited) RMB'000
0-90 days	248,815	211,412
91-180 days	10,515	6,561
181-365 days	40,502	26,847
Over 365 days	77,093	44,389
	376,925	289,209

Notes to the Interim Condensed Consolidated Financial Information

24 OTHER PAYABLES, ACCRUALS AND OTHER LIABILITIES

	As at June 30, 2021 (Unaudited) RMB'000	As at December 31, 2020 (Audited) RMB'000
Payables in respect of online entertainment ticketing and e-commerce services	784,643	1,112,613
Amounts due to related parties (Note 29)	76,874	58,647
Payables in respect of share in the box office receipts	410,706	130,537
Loans from third parties (a)	85,765	44,603
Payroll and welfare payable	56,118	66,948
Other tax liabilities	3,716	6,180
Others	44,463	56,484
	1,462,285	1,476,012

(a) The loans from third parties are interest-free, unsecured and repayable within 1 year.

Notes to the Interim Condensed Consolidated Financial Information

25 SHARE CAPITAL

(Unaudited)	Number of ordinary shares	Number of ordinary shares pursuant to 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, 2020	1,110,489,075	19,277,225	1,129,766,300	22.50	152
Issuance of new shares under share option scheme	1,987,081	–	1,987,081	0.04	1
As at June 30, 2020	1,112,476,156	19,277,225	1,131,753,381	22.54	153

(Unaudited)	Number of ordinary shares	Number of ordinary shares pursuant to 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, 2021	1,116,432,786	20,044,581	1,136,477,367	22.60	153
Restricted shares vested	–	2,240,422	2,240,422	0.04	–
Issuance of new shares under share option scheme	2,502,788	–	2,502,788	0.05	1
As at June 30, 2021	1,118,935,574	22,285,003	1,141,220,577	22.69	154

Notes to the Interim Condensed Consolidated Financial Information

26 RESERVES

(Unaudited)	Share premium RMB'000	Capital reserves RMB'000	Currency translation differences RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Convertible bonds RMB'000	Share-based compensation reserve RMB'000	Other reserves RMB'000	Total RMB'000
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	26,543	-	-	-	-	(26,353)	-	190
Currency translation difference	-	-	28,814	-	-	-	-	28,814
Changes in the financial assets at fair value through other comprehensive income	-	-	-	5,388	-	-	-	5,388
Transfer to retained earnings	-	-	-	(135)	-	-	-	(135)
Share-based compensation expenses	-	-	-	-	-	54,487	-	54,487
As at June 30, 2020	2,303,441	5,592,299	95,825	(21,799)	(3,676)	414,085	(8,400)	8,371,775

Notes to the Interim Condensed Consolidated Financial Information

26 RESERVES (Continued)

(Unaudited)	Share premium RMB'000	Capital reserves RMB'000	Currency translation differences RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Convertible bonds RMB'000	Share-based compensation reserve RMB'000	Other reserves RMB'000	Total RMB'000
As at January 1, 2021	2,356,598	5,592,299	(8,613)	(43,398)	(3,676)	379,330	(8,400)	8,264,140
Issuance of new shares under share option scheme	37,100	-	-	-	-	(32,817)	-	4,283
Issuance of new shares under Post-IPO RSU Scheme	22,882	-	-	-	-	(22,882)	-	-
Currency translation difference	-	-	(10,729)	-	-	-	-	(10,729)
Changes in the financial assets at fair value through other comprehensive income	-	-	-	75,681	-	-	-	75,681
Transfer to retained earnings	-	-	-	(10,547)	-	-	-	(10,547)
Share-based compensation expenses	-	-	-	-	-	28,020	-	28,020
As at June 30, 2021	2,416,580	5,592,299	(19,342)	21,736	(3,676)	351,651	(8,400)	8,350,848

Notes to the Interim Condensed Consolidated Financial Information

27 SHARE INCENTIVE PLAN

The share-based compensation expenses recognized during six months ended June 30, 2021 and 2020 are summarized in the following table:

	Six months ended June 30,	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Share-based compensation expenses	28,020	54,487

(a) 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.

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 June 30, 2021, 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.

Notes to the Interim Condensed Consolidated Financial Information

27 SHARE INCENTIVE PLAN (Continued)

(a) ESOP Plan of the Company (Continued)

(i) 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
(Audited)		
Outstanding balance as at January 1, 2020	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 January 1, 2021	RMB10.4740	20,751,861
(Unaudited)		
Exercised	RMB0.9932	(2,337,194)
Lapsed	RMB12.2467	(188,715)
Forfeited	RMB12.4967	(140,171)
Outstanding balance as at June 30, 2021	RMB11.6650	18,085,781

As at June 30, 2021, out of 18,085,781 share options, 10,559,826 share options were vested and exercisable.

Notes to the Interim Condensed Consolidated Financial Information

27 SHARE INCENTIVE PLAN (Continued)

(a) ESOP Plan of the Company (Continued)

(ii) Post-IPO Share Option Scheme

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)
(Audited)		
Outstanding balance as at January 1, 2020	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 January 1, 2021	RMB11.4571	5,825,825
(Unaudited)		
Granted	RMB10.9930	15,066,000
Exercised	RMB12.8424	(165,594)
Lapsed	RMB12.8424	(89,580)
Forfeited	RMB11.8966	(303,189)
Outstanding balance as at June 30, 2021	RMB11.0893	20,333,462

Notes to the Interim Condensed Consolidated Financial Information

27 SHARE INCENTIVE PLAN (Continued)

(a) ESOP Plan of the Company (Continued)

(iii) Fair value of options

The Group used the Binomial Model to determine the fair value of the options as at the respective grant dates during the prior financial years. In view of the fact that the share options granted on January 19, 2021 has specified market conditions to be satisfied, the Group has used the Monte Carlo Model to determine the fair value of the options at the grant date during the six months ended June 30, 2021. The weighted average fair value of share options granted by Maoyan Entertainment during the six months ended June 30, 2021 was RMB5.17 per share option (during the year ended December 31, 2020: RMB4.35 per share option).

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 valuation model, which are summarized as below.

(Unaudited)	Six months ended June 30,	
	2021	2020
Risk free rate	0.8%	0.6%
Dividend yield	0.00%	0.00%
Expected volatility	45%	40%

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 June 30, 2021 and December 31, 2020, the Expected Retention Rate was assessed to be 95.0% and 94.5%, respectively.

Notes to the Interim Condensed Consolidated Financial Information

27 SHARE INCENTIVE PLAN (Continued)

(a) ESOP Plan of the Company (Continued)

(iv) Post-IPO RSU Scheme

On May 1, 2021, the board of directors of the Company resolved to grant a total of 449,378 restricted share units under RSU Scheme to employees of the Group. A total of 25,000, 199,689, 112,345 and 112,345 of the restricted shares will vest on May 1, 2022, May 1, 2023, May 1, 2024 and May 1, 2025 respectively, subject to the accomplishment of certain service conditions. The fair value of the restricted shares amounted to RMB5,795,000 and was determined with reference to the share price of the Company on April 30, 2021 of HKD15.48 (equivalent to RMB12.90).

Movements of the Post-IPO RSU granted are as follows:

	Fair value	Number of shares (after Subdivision)
(Audited)		
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 January 1, 2021	RMB10.0733	11,814,016
(Unaudited)		
Granted	RMB12.8958	449,378
Vested	RMB10.2113	(2,240,422)
Forfeited	RMB10.3778	(3,312,667)
Outstanding balance as at June 30, 2021	RMB10.0658	6,710,305

28 CAPITAL COMMITMENTS

As at June 30, 2021, capital expenditure contracted for but not yet incurred by the Group amounted to approximately RMB431,738,000 with respect to investments in certain movies and TV series.

Notes to the Interim Condensed Consolidated Financial Information

29 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 Limited and Beijing Enlight Media Co., Ltd. and their subsidiaries (collectively "Enlight Group")	One of the Company's shareholders
Tencent Holdings Limited and its subsidiaries (collectively "Tencent Group")	One of the Company's shareholders
Beijing Weying Shidai and its subsidiaries (collectively "Beijing Weying Shidai 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 interim condensed consolidated financial information, the following significant transactions were carried out between the Group and its related parties during the six months ended June 30, 2021. 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 original term of five years and was subsequently extended to September 2022, and applies within the PRC.

Notes to the Interim Condensed Consolidated Financial Information

29 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(b) Revenue from transactions with related parties

	Six months ended June 30,	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Meituan Group	–	78
Enlight Group	15,040	142
Tencent Group	7,708	2,251
Shanghai Chengxin	6,814	1,474
	29,562	3,945

(c) Purchase of services

	Six months ended June 30,	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Meituan Group	98,732	61,221
Enlight Group	2,154	2
Tencent Group	40,968	6,298
	141,854	67,521

(d) Movie cards consideration received on behalf of the Group

	Six months ended June 30,	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Meituan Group	435	13
Enlight Group	1,473	428
Beijing Weying Shidai Group	–	101
Tencent Group	541	1,613
	2,449	2,155

Notes to the Interim Condensed Consolidated Financial Information

29 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(e) Balances with related parties

	As at June 30, 2021 (Unaudited) RMB'000	As at December 31, 2020 (Audited) RMB'000
Receivables from related parties		
– Accounts receivable		
Enlight Group	6,042	28,005
Shanghai Chengxin	3,554	14,418
Beijing Weying Shidai Group	–	1,812
Tencent Group	4,754	2,222
Beijing Yaoying	63	63
Meituan Group	–	44
	14,413	46,564
Less: allowance for impairment	(2,707)	(4,345)
	11,706	42,219
– Deposits and other receivables		
Meituan Group	38,125	54,567
Beijing Weying Shidai Group	–	28,699
Tencent Group	68,736	194
Enlight Group	2	3
Shanghai Chengxin	18,087	22,087
Shanghai Mila	4,717	4,717
	129,667	110,267
Less: allowance for impairment	(22,345)	(36,405)
	107,322	73,862
– Other payables, accruals and other liabilities		
Meituan Group	38,356	35,429
Enlight Group	19,827	83
Beijing Weying Shidai Group	–	3,240
Tencent Group	18,691	19,895
	76,874	58,647

The receivables and payables due from/to related parties are unsecured, interest-free and are repayable on demand.

Notes to the Interim Condensed Consolidated Financial Information

29 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(f) Key management compensation

	Six months ended June 30,	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Wages, salaries and bonuses	2,785	4,090
Share-based compensation expenses	20,745	22,525
Welfare, medical and other expenses	34	89
Contributions to pension plans	18	25
	23,582	26,729

30 CONTINGENCIES

The Group had no material contingent liabilities as at June 30, 2021 and December 31, 2020.

31 SUBSEQUENT EVENT

No significant events took place after June 30, 2021.

Definition and Glossary

Unless the context otherwise requires, the following expressions in this Interim Report shall have the following meanings:

“Adoption Date”	July 23, 2018, the date on which the Company adopted the ESOP Plan
“Audit Committee”	the audit committee of the Company
“Auditor”	the external auditor of the Company
“Board”	the board of directors of the Company
“Company”, “our Company” or “Maoyan”	Maoyan Entertainment, an exempted company incorporated in the Cayman Islands with limited liability and whose Shares are listed on the Main Board of the Stock Exchange (Stock Code: 1896)
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Enlight Holding”	Enlight Holdings Limited (光線控股有限公司), one of our Pre-IPO Investors and one of our Registered Shareholders
“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 (stock code: 300251), one of our Pre-IPO Investors and one of our Registered Shareholders
“ESOP Plan”	a series of employee incentive scheme adopted by the Company on July 23, 2018, including Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme, RSU Scheme and Restricted Share Agreement
“GMV”	the value of paid transactions on our platform, including the service fees and without regard to any refunds
“Group”, “our Group”, “we” or “us”	the Company, its subsidiaries and the Consolidated Affiliated Entities
“HK\$” or “HKD”	Hong Kong dollars and Hong Kong cents, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange” or “Stock Exchange”	the Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

Definition and Glossary

“Listing”	listing of the Shares on the Main Board of the Stock Exchange of Hong Kong
“Listing Date”	February 4, 2019, the date on which the Shares became listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Meituan”	Meituan (美團) (HKEx Stock Code: 3690), an exempted company with limited liability incorporated under the laws of the Cayman Islands on September 15, 2015, or Meituan Dianping and its subsidiaries and consolidated affiliated entities, as the case may be
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Nomination Committee”	the nomination committee of the Company
“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 interim report only, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“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
“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
“Reporting Period”	the six months ended June 30, 2021
“Restricted Share Agreement”	the restricted share agreement entered into among the Company, Mr. Zheng Zhihao and Rhythm Brilliant Limited, a wholly-owned subsidiary of Mr. Zheng Zhihao, on July 23, 2018 to recognize and reward the contribution of Mr. Zheng Zhihao to the Group

Definition and Glossary

“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
“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
“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)
“State Council”	State Council of the People’s Republic of China (中華人民共和國國務院)
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Tencent”	Tencent Holdings Limited (HKEx Stock Code: 700), or Tencent Holdings Limited and/or its subsidiaries, as the case may be
“US\$” or “US dollars” or “USD”	U.S. dollars, the lawful currency of the United States of America
“%”	per cent



Maoyan Entertainment

貓眼娛樂