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Maoyan Entertainment

貓眼娛樂

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1896)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

The board of directors (the “**Board**”) of Maoyan Entertainment (the “**Company**”) is pleased to announce the audited consolidated results of the Company, its subsidiaries and the Consolidated Affiliated Entities (the “**Group**”) for the year ended December 31, 2022. The results have been audited by the auditor of the Company in accordance with International Standards on Auditing, and have also been reviewed by the Audit Committee.

PERFORMANCE HIGHLIGHTS

	Year ended December 31,		Year-on-year change %
	2022	2021	
	<i>RMB million</i>	<i>RMB million</i>	
Revenue	2,319.5	3,323.4	(30.2)
Gross profit	1,020.0	1,842.2	(44.6)
Operating profit	162.1	538.3	(69.9)
Profit for the year	104.8	368.5	(71.6)
Adjusted EBITDA	320.1	742.7	(56.9)
Adjusted net profit ^(Note)	232.7	540.0	(56.9)

Note: We defined adjusted net profit as net profit for the year adjusted by adding back share-based compensation and amortization of intangible assets resulting from business combinations.

FINANCIAL HIGHLIGHTS

Our revenue decreased to RMB2,319.5 million in 2022 from RMB3,323.4 million in 2021. Our gross profit decreased to RMB1,020.0 million in 2022 from RMB1,842.2 million in 2021. Our profit for the year in 2022 was RMB104.8 million whereas our profit for the year in 2021 was RMB368.5 million. Our adjusted EBITDA in 2022 was RMB320.1 million, decreased from adjusted EBITDA of RMB742.7 million in 2021, whereas our adjusted net profit^(Note) was RMB232.7 million in 2022, decreased from adjusted net profit^(Note) of RMB540.0 million in 2021.

BUSINESS REVIEW

During 2022, the entertainment industry continued to face complex situation and the various related risks and challenges caused by the pandemic. According to statistics from the China Film Administration, the total box office (including service fees) of Mainland China in 2022 was RMB30.067 billion, representing a year-over-year decrease of 36.38% from RMB47.258 billion in 2021. Furthermore, the live entertainment market was also significantly affected. For instance, according to the relevant market data released on the official website of the China Association of Performing Arts, nearly 9,000 performances were cancelled or postponed nationwide in the first quarter of 2022, and the total number of performances decreased by approximately 80% at the box office during the Labor Day holiday.

Outperforming the market in the severely challenging environment of 2022, the Company continued to maintain its overall profitability with its revenue structure further optimized, ability to resist risks improved, and business driving force enhanced. In particular, our entertainment content services continued to develop in 2022, with revenue performance in this segment outpacing the market, further validating our promotion and distribution capabilities and market coverage.

Note: We defined adjusted net profit as net profit for the year adjusted by adding back share-based compensation and amortization of intangible assets resulting from business combinations.

Entertainment content services

As a key player in the entertainment industry, we continue to deepen our involvement in movie promotion and distribution, production and self-production. Despite the severe impact of the pandemic on the industry in 2022, our expanding entertainment content services countered the negative effects of the market's periodic decline due to our forward-looking business framework, ongoing content development, and continuous refinement and iteration of promotion and distribution capabilities. During the Reporting Period, the number of movies for which we acted as a distributor/producer, together with these movies' box office takings, remained at the forefront of the industry. The coverage rate of the total box office of released domestic movies for which we acted as a distributor/producer remained at 50% or above of the domestic movies in the entire market. Specifically, the proportion in quantity of top 10 domestic movies in which we participated and acted as lead distributor continued to align with that of 2021 and even significantly exceeded pre-pandemic levels.

With our movie promotion and distribution capabilities further enhanced in 2022, we delivered stellar performances in our market coverage, market influence and revenue contribution. By fully leveraging the strengths and capabilities of our promotion and distribution resources and services, we continued to promote real-time data transparency. Furthermore, by keeping informed of market trends, exploring actual demands, iterating and innovating promotion and distribution products, and optimizing promotion and distribution channels, we further enhanced our intelligent promotion and distribution systems, enabling the movies to achieve better promotional results and boost growth in box office takings. During the Reporting Period, we first proposed the concept of “real-time promotion and distribution” (實時宣發) by officially upgrading the “Real-Time Wish-List Gathering” (實時想看) channel to a “real-time promotion and distribution” (實時宣發) channel while launching the industry's first all-network live trending list to assist users in keeping abreast of changes in movie promotion topics in real-time. Our further upgraded “Real-Time Report” (實時戰報) and “Same-period Movie Comparison” (同檔期對比) services, providing the industry with promotion and distribution information services at a lower fault tolerance rate. Our “Cloud Block Booking” (雲包場) services further improved its personalized customization and expanded the movie promotion channels, achieving a dual conversion of promotion and consumption. In 2022, orders placed with the “Cloud Block Booking” (雲包場) services grew by approximately 50% year-over-year, successfully covering all domestic movies whose box office exceeded RMB100 million. In addition, during the 2023 Spring Festival season, we realized the industry's first closed-loop promotion and distribution via WeChat short video (微信視頻號) as part of our continued efforts to explore new promotion and distribution paths.

Based on the above, we achieved outstanding results in movie promotion and distribution in 2022. Comparing with the movies we participated in, those movies we were lead distributor during the year outperformed those in previous years in terms of quantity, proportion, and GMV ratio. Also, the coverage rate of movies we acted as lead distributor to the whole movie market was essentially the same as in 2021, significantly better than pre-pandemic levels. Notably, during the last three consecutive Spring Festival seasons, from 2021 to 2023, the movies for which we acted as lead distributor successfully claimed the top two spots in the box office performance, including *Full River Red* (滿江紅) (ranking sixth in China's movie history), *Too Cool To Kill* (這個殺手不太冷靜), and *Hi, Mom* (你好，李煥英) (ranking third in China's movie history). These successes fully reflect Maoyan's consistent abilities in content recognition for top-tier movies and the steady improvements in its promotion and distribution resources. In turn, these improved promotion and distribution capabilities further enhanced our abilities and strengths in identifying top-tier and high-quality movies and increased our coverage rate and revenue contribution for top-tier movies. In 2022, we participated in a number of movies that performed exceptionally well both at the box office and reputation. These included *Too Cool To Kill* (這個殺手不太冷靜), for which we acted as lead distributor and producer. This movie claimed second place under the comedy category with a total box office of RMB2.63 billion in 2022. In addition, *Someday or One Day* (想見你), *G Storm* (反貪風暴5：最終章), *Warriors of Future* (明日戰記) and *Give Me Five* (哥你好) achieved excellent box office performances, ranking either the first or the second domestic movies in their respective release seasons, and receiving a number of awards and nominations at the Golden Rooster Awards, Huading Awards, Hong Kong Film Awards, and Macau International Film Festival.

In 2023, we will continue to enhance our promotion and distribution, production and self-production competencies and further enrich our smart promotion and distribution service matrix. Besides increasing our involvement in first-tier movies, we will actively expand our reserve of high-quality content while deepening our sustainable growth in entertainment content services. For the six movies released during the 2023 Spring Festival season, we participated in four as a distributor/producer. Among these was *Full River Red* (滿江紅), for which we acted as lead distributor and producer, grossing RMB4.5 billion at the box office, becoming the Spring Festival season champion, and ranking sixth in China's movie history. Subsequently, we participated in a series of high-quality movies as a distributor and producer, including *The Best is Yet to Come* (不止不休), *Journey to the West* (宇宙探索編輯部), *The Procurator* (檢察風雲), and *Castle in the Sky* (天空之城), all of which have been scheduled for release at various time slots throughout 2023. In addition, we continue to maintain an abundant reserve of movie content. The movies, in which we participated as a distributor/producer, include *Never Say Never* (八角籠中), *Papa* (學爸), *Who's the Suspect* (拯救嫌疑人), *High Forces* (危機航線), and *The Goldfinger* (金手指), as well as the movies we self-produced, include *The Woman in the Storm* (我經過風暴), and *Game Start* (天才遊戲), all of which are making steady progress and will be released in due course.

Online Entertainment Ticketing Services

In 2022, our online movie ticketing services business and market competitiveness remained stable and strong, maintaining our leading position in the industry. We continuously enhanced the service capabilities of our online ticketing platform by actively improving service efficiency to help the industry and our partners increase efficiency at lower costs. Our progressively deepening strategic cooperation with Tencent and Meituan has further solidified our user base. During the Reporting Period, a variety of marketing functions, such as family ticket packages and cinema combo deals, were newly launched to meet the different consumption demands of our users. We also helped achieve the integration of the interests of movie distributors, cinemas, partners, and platforms, further optimizing users' experience in ticket purchasing. Additionally, we proactively continued to address the needs of the whole industry and made valuable contributions. In 2022, we provided audiences with premier ticketing services as the official designated ticketing provider for the 12th Beijing International Film Festival (第十二屆北京國際電影節), the 4th Hainan Island International Film Festival (第四屆海南島國際電影節), and the 9th Silk Road International Film Festival (第九屆絲綢之路國際電影節).

In 2022, we continued to invest in and develop live entertainment services, including online ticketing services, and actively explored and developed investments in the production of and IP development for live entertainment events. During the Reporting Period, we also actively addressed the needs of the whole industry and constructively contributed to its recovery by providing complete sets of smart venue ticketing system solutions to nearly 200 emerging small and medium-sized venues across the country. At the same time, we continued to expand our production and distribution coverage for various emerging local entertainment consumer projects and extensively explored the category supply to improve service capabilities and quality in lower-tier cities. Our high-quality projects in production/self-production have made steady progress. Among these, *The Grand Expedition* (玩味探險家), an immersive fine food interactive drama, was originally shown in Shanghai and subsequently introduced to Shenzhen, and *The Grand Studio* (玩味製片廠), an immersive interactive drama, was put on in Shanghai. The immersive gaming drama *A Film Is Born* (揚名立萬) started performances in Shanghai and is in preparation for performance in other cities. Given the rapid recovery of the entertainment market in 2023, various kinds of live entertainment projects, including large-scale concerts and music festivals, have gradually returned. We will continue to provide professional services for various high-quality projects, such as ticketing agent services for the relevant stops of the Jay Chou Carnival World Tour in 2023 (周杰倫2023嘉年華世界巡迴演唱會).

With our professional ticketing system service capabilities and rich industry experience, we successfully established a partnership with the URBTIX (Hong Kong Urban Ticketing System), providing ticketing system and operational services for their live-entertainment business throughout Hong Kong. Since December 2022, our newly developed ticketing system with enlarged capacity has been officially launched, enabling effective handling of ticket purchase requests for numerous events and providing more convenient services and functions. Our system's service capabilities have been effectively proven by multiple performances from the outset of its launch, including Eason Chan FEAR AND DREAMS concert tour in Hong Kong (陳奕迅 FEAR AND DREAMS 香港演唱會). In the future, we plan to provide further live entertainment ticketing and relevant services for the audience in Hong Kong and other regions, leveraging our deep understanding of the performing arts market and the professional service team we have built.

Advertising Services and Others

In 2022, we consistently enriched our product promotion tools to assist movies in achieving unsurpassed promotional results, reflected in the significant increase in the commercial value of these products. To support the development of product promotion and distribution, we continued to enrich our promotion and distribution channels and resources and build our omnichannel media ecosystem, covering the entire range of users' online and offline activities. Our channel capabilities serve 60% of the movies released for the year. In terms of content marketing services, we expanded our business from movies to TV dramas and movie makers, establishing extensive and interactive cooperation with multiple platforms. The number of projects we served increased by over 50% compared to last year.

In 2022, we continued to improve our data capabilities and services. Leveraging our focus on data analysis as well as our considerable insights into the entertainment market, we committed ourselves to enhancing efficiency and transparency of the industry by addressing pain points while strengthening the service capabilities of the entire industry. During the Reporting Period, our Maoyan Pro (貓眼專業版) further enhanced data diversity and improved data service efficiency. For example, we added box office data from across major countries and regions worldwide, including the UK, France, Japan, and Germany, to the box office rankings. The “Real-time trending List”(實時熱搜) was launched to provide the required promotional data in seconds to industrial partners in a highly efficient manner. Our Maoyan Research Institute (貓眼研究院) produced and released various in-depth thematic research reports, including pandemic-related reports and movie schedule data insights. Moreover, our Maoyan Research Institute is working to provide an increasing number of third parties with early-stage IP studies, and other IP-related research including IP adaptation, development, and testing. Our data and industry integration analysis capabilities and monetization scenarios have been further enhanced, enabling the more efficient business operations of our industry partners.

OUTLOOK

In line with the optimized and adjusted national pandemic control policies, the operating rate of cinemas nationwide has rapidly increased since December 2022, indicating a significant recovery in the entertainment industry. The total box office for the 2023 Spring Festival season amounted to RMB6.758 billion, making it the second highest-grossing Spring Festival season in China’s movie history and breaking the record for the fastest Chinese annual box office to exceed RMB10 billion, surpassing this milestone by 6 p.m. on January 31, 2023. According to the relevant market data released on the official website of the Chinese Association of Performing Arts, the box office and audience numbers for commercial performances during the 2023 Spring Festival season both recovered to approximately 80% of those in 2019, reflecting the strong resilience and vitality of the entertainment market in China. According to the report to the 20th National Congress of the Communist Party of China, the direction has been set for the prosperous development of China’s cultural and artistic industries, allowing for greater room for development and providing clearer objectives for the industry’s practitioners. We are confident in the entertainment market’s recovery and progress in 2023.

Looking to the future, we will adhere to the core strategy of “technology + pan-entertainment” by continuing to deepen our presence in the pan-entertainment industry while constantly improving our core competitiveness and profitability to contribute more value to the industry. In terms of entertainment content services, we will continue to iterate and enhance our core strengths and capabilities in movie promotion and distribution and strengthen our horizontal and vertical involvement in the promotion and distribution, production and self-production of top-tier movies. In the live entertainment, we will also ride this market’s robust recovery trend to boost our business, including ticketing services for live entertainment as well as the production and distribution of projects. In the movie ticketing business, we will continue to steadily develop our movie ticketing services while continuing to increase efficiency at lower costs to improve our profitability. In addition, based on our combined advantages covering technology services and the entertainment industry, we will actively explore other innovative business areas and regions, including further expanding our business scope and exploring commercial cooperation scenarios in different countries and regions, building on the foundation of solid partnerships with live entertainment businesses in Hong Kong. Furthermore, we will strengthen our exploration of the post-movie box office market, including inter-adaptation of movies and live entertainment, IP merchandises development, etc.

Last but not least, we would like to embrace opportunities and challenges together with our industry peers and focus on creating high-quality literary and artistic products. We hereby express our sincere gratitude to all of our colleagues, shareholders, and industry partners for their trust and support. Let us forge ahead together and create greater value for the industry!

MANAGEMENT DISCUSSION AND ANALYSIS

2022 Review

	Year ended December 31,			
	2022		2021	
	<i>RMB</i>		<i>RMB</i>	
	<i>million</i>	<i>%</i>	<i>million</i>	<i>%</i>
Revenue	2,319.5	100.0	3,323.4	100.0
Cost of revenue	<u>(1,299.5)</u>	<u>(56.0)</u>	<u>(1,481.2)</u>	<u>(44.6)</u>
Gross profit	1,020.0	44.0	1,842.2	55.4
Selling and marketing expenses	(480.1)	(20.7)	(672.5)	(20.2)
General and administrative expenses	(300.0)	(12.9)	(360.2)	(10.8)
Net impairment losses on financial assets	(83.3)	(3.6)	(194.0)	(5.9)
Net impairment losses on non-financial assets	(33.7)	(1.5)	(113.5)	(3.4)
Other income	38.6	1.7	23.3	0.7
Other gains, net	<u>0.6</u>	<u>0.0</u>	<u>13.0</u>	<u>0.4</u>
Operating profit	162.1	7.0	538.3	16.2
Finance income	39.2	1.7	28.2	0.8
Finance costs	(17.1)	(0.7)	(31.3)	(0.9)
Finance income/(costs), net	22.1	1.0	(3.1)	(0.1)
Share of losses of investments accounted for using the equity method	<u>(2.9)</u>	<u>(0.2)</u>	<u>(0.4)</u>	<u>(0.0)</u>
Profit before income tax	181.3	7.8	534.8	16.1
Income tax expenses	<u>(76.5)</u>	<u>(3.3)</u>	<u>(166.3)</u>	<u>(5.0)</u>
Profit for the year	<u>104.8</u>	<u>4.5</u>	<u>368.5</u>	<u>11.1</u>
Non-IFRS Measures:				
EBITDA	311.3	13.4	709.3	21.3
Adjusted EBITDA	320.1	13.8	742.7	22.3
Adjusted net profit <i>(Note)</i>	232.7	10.0	540.0	16.2

Note: We defined adjusted net profit as net profit for the year adjusted by adding back share-based compensation and amortization of intangible assets resulting from business combinations.

Revenue

Our revenue decreased by 30.2% to RMB2,319.5 million in 2022 from RMB3,323.4 million in 2021. The decrease was primarily a result of the serious impact on the offline entertainment industry as a result of the outbreak of COVID-19 pandemic in various regions nationwide in 2022. The operating activities and the performance of each business segment of the Group were therefore adversely affected. The following table sets forth our revenues by service for the years ended December 31, 2022 and 2021.

	Year ended December 31,			
	2022		2021	
	<i>RMB</i>		<i>RMB</i>	
	<i>million</i>	<i>%</i>	<i>million</i>	<i>%</i>
Revenue				
Entertainment content services <i>(Note)</i>	1,113.5	48.0	1,356.5	40.8
Online entertainment ticketing services	1,067.7	46.0	1,713.7	51.6
Advertising services and others	138.3	6.0	253.2	7.6
Total	<u>2,319.5</u>	<u>100.0</u>	<u>3,323.4</u>	<u>100.0</u>

Note: This amount included fair value gain on the Group's investment in movie and TV series amounting to RMB31.5 million for the year ended December 31, 2022 and fair value loss on the Group's investment in movie and TV series amounting to RMB87.6 million for the year ended December 31, 2021.

Entertainment Content Services

Revenue from our entertainment content services decreased by 17.9% to RMB1,113.5 million in 2022 from RMB1,356.5 million in 2021. Such decrease was mainly because we adjusted or postponed the release plans for certain projects involving our production, promotion and distribution due to the COVID-19 pandemic.

Online Entertainment Ticketing Services

Revenue from our online entertainment ticketing business decreased by 37.7% to RMB1,067.7 million in 2022 from RMB1,713.7 million in 2021. According to the data released by the China Film Administration (國家電影局), the total annual box office of the film market in China in 2022 was RMB30.067 billion, representing a decrease by 36.38% from RMB47.258 billion in 2021.

Advertising Services and Others

Revenue from our advertising services and others decreased by 45.4% to RMB138.3 million in 2022 from RMB253.2 million in 2021, which was mainly due to the impact of the pandemic causing the decrease in advertising income.

Cost of Revenue

Our cost of revenue decreased by 12.3% to RMB1,299.5 million in 2022 from RMB1,481.2 million in 2021. The decrease in our cost of revenue was mainly due to a decrease in the cost of ticketing system (which was in line with the proportion decrease in the revenue of our online movie ticketing service), and that the content production cost and content distribution and promotion cost were basically unchanged.

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

	Year ended December 31,					
	2022			2021		
	<i>RMB</i>	<i>% of</i>	<i>% of</i>	<i>RMB</i>	<i>% of</i>	<i>% of</i>
	<i>million</i>	<i>cost</i>	<i>revenue</i>	<i>million</i>	<i>cost</i>	<i>revenue</i>
Content production cost	337.7	26.0	14.6	258.7	17.5	7.8
Content distribution and promotion cost	329.5	25.4	14.2	386.6	26.1	11.6
Ticketing system cost	258.2	19.9	11.1	418.8	28.3	12.6
Internet infrastructure cost	170.6	13.1	7.4	183.0	12.4	5.5
Amortization of intangible assets	118.9	9.1	5.1	137.8	9.3	4.1
Depreciation of property, plant and equipment	9.5	0.7	0.4	11.5	0.8	0.3
Other expenses	75.1	5.8	3.2	84.8	5.6	2.7
Total	<u>1,299.5</u>	<u>100.0</u>	<u>56.0</u>	<u>1,481.2</u>	<u>100.0</u>	<u>44.6</u>

Gross Profit and Gross Margin

Our gross profit decreased by 44.6% to RMB1,020.0 million in 2022 from RMB1,842.2 million in 2021, and our gross margin was 55.4% and 44.0% in 2021 and 2022, respectively. The changes in our gross profit and gross margin were mainly due to the adjustment of business line structure with an increased proportion of low gross margin businesses, and on the other hand, the substantial decrease in our revenue as affected by the COVID-19 pandemic, while the cost of revenue did not decrease at the same proportion accordingly.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 28.6% to RMB480.1 million in 2022 from RMB672.5 million in 2021, primarily due to the decrease in daily operation marketing expenses as affected by the pandemic.

General and Administrative Expenses

Our general and administrative expenses decreased by 16.7% to RMB300.0 million in 2022 from RMB360.2 million in 2021, primarily due to decrease in staff costs.

Net Impairment Loss of Financial and Non-Financial Assets

Net impairment loss of financial and non-financial assets decreased by 62.0% from RMB307.5 million in 2021 to RMB117.0 million in 2022, due to the impacts of complicated pandemic conditions on the entertainment industry in 2022, including but not limited to the suspension of theatres, adjustments to film release schedules, and the postponement or cancellation of performances.

For accounts receivable, an impairment loss of RMB53.8 million was recognised for the year ended December 31, 2022, representing a decrease of RMB0.3 million compared to RMB54.1 million as at December 31, 2021. For other receivables, an impairment loss of RMB29.5 million was recognised for the year ended December 31, 2022, representing a decrease of RMB110.4 million compared to RMB139.9 million as at December 31, 2021. Due to the impact of the COVID-19 pandemic on the macro economy, the entertainment industry in the PRC and related companies, the Group adjusted its expected loss rate as at December 31, 2022, with the total expected loss rate for the accounts receivable increasing from 17.9% in 2021 to 36.6% in 2022. After the reassessment of individual other receivables categorised as credit-impaired (i.e. “stage 3”, which means being past due for more than 90 days) under the expected credit loss model in other receivables, the overall expected credit loss rate for other receivables categorised as “stage 3” has been adjusted from 99.6% as at December 31, 2021 to 100.0% as at December 31, 2022.

For prepayments, an impairment loss of RMB33.7 million was recognised for the year ended December 31, 2022, representing a decrease of RMB79.8 million compared to RMB113.5 million as at December 31, 2021, mainly attributable for the impairment of prepayments for movies and TV series investment and production. These prepayments are non-financial assets that should be tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. As a result of the impact of COVID-19 pandemic on the macro-economy and entertainment industry, these movies and TV series were subject to unfavourable circumstances including but not limited to major actors of certain projects being replaced, the risk of being unable to be released in the foreseeable future, and the deterioration of financial and operational position of the business partners whom the Group worked with on certain of these projects. Based on these circumstances, the Group further assessed the probability of non-performance (i.e. the movies or TV series not able to be exhibited) and made impairment provision of RMB33.7 million based on the expected recoverable amount estimated by the directors.

Other Income and Other Gains, Net

We had other income and net other gains of RMB39.2 million and RMB36.3 million in 2022 and 2021, mainly for government subsidies and tax credit of input tax additional deduction.

Operating Profit

As a result of the foregoing, our operating profit was RMB162.1 million in 2022, compared to an operating profit of RMB538.3 million in 2021.

Finance Income/(Costs), Net

Our net finance income/(costs) had been turned from finance costs of RMB3.1 million in 2021 to finance income of RMB22.1 million in 2022, primarily due to the improvement of fund management efficiency, which in turn resulted in an increase in finance income and a decrease in finance costs.

Income Tax Expenses

We had income tax expenses of RMB76.5 million in 2022, compared to the income tax expenses of RMB166.3 million in 2021. This was primarily due to the decrease in our overall profit.

Profit for the Year

As a result of the foregoing, our profit for the year was RMB104.8 million in 2022, compared to profit for the year of RMB368.5 million in 2021.

Non-IFRS Financial Measure

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

Adjusted Net Profit, EBITDA and Adjusted EBITDA

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

	Year ended December 31,	
	2022	2021
	<i>RMB million</i>	<i>RMB million</i>
Reconciliation of net profit to adjusted net profit		
Net profit for the year	104.8	368.5
Add:		
Share-based compensation	8.8	33.4
Amortization of intangible assets resulting from business combinations	119.1	138.1
Adjusted net profit ^(Note)	<u>232.7</u>	<u>540.0</u>

Note: We defined adjusted net profit as net profit for the year adjusted by adding back share-based compensation (share options and RSUs granted to directors and employees and expenses from other share-based payment transactions) and amortization of intangible assets resulting from business combinations.

	Year ended December 31,	
	2022	2021
	RMB million	<i>RMB million</i>
Reconciliation of operating profit to EBITDA and adjusted EBITDA		
Operating profit for the year	162.1	538.3
Add:		
Depreciation of property, plant and equipment	14.2	17.0
Amortization of intangible assets	121.6	140.3
Depreciation of right-of-use assets	13.4	13.7
EBITDA <i>(Note)</i>	<u>311.3</u>	<u>709.3</u>
Add:		
Share-based compensation	8.8	33.4
Adjusted EBITDA <i>(Note)</i>	<u>320.1</u>	<u>742.7</u>

OTHER FINANCIAL DATA AND INFORMATION

Capital Structure

The Company continued to maintain a healthy and sound financial position. Our total assets decreased from RMB11,028.3 million as of December 31, 2021 to RMB10,258.0 million as of December 31, 2022, whilst our total liabilities decreased from RMB3,040.7 million as of December 31, 2021 to RMB2,084.2 million as of December 31, 2022. Our liabilities-to-assets ratio decreased from 27.6% in 2021 to 20.3% in 2022.

As of December 31, 2022, we pledged bank deposits of RMB106.7 million as securities for bank borrowings.

Note: We defined EBITDA as operating profit for the year adjusted for depreciation and amortization expenses. We add back share-based compensation (share options and RSUs granted to directors and employees and expenses from other share-based payment transactions) to EBITDA to derive adjusted EBITDA.

Liquidity, Financial Resources, and Gearing

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

As of December 31, 2022, we had cash and cash equivalents and other forms of bank deposits of RMB2,401.4 million, which were predominantly denominated in RMB and US dollars. Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash generated from operating activities, and other funds raised from the capital markets from time to time.

As of December 31, 2022, our total borrowings were approximately RMB335.0 million, which were all bank borrowings denominated in RMB. The following table sets forth further details of our banking borrowings as of December 31, 2022:

	RMB million	Interest rate
Secured	190.0	1.25%-1.70%
Guaranteed	80.0	3.70%-3.85%
Unsecured	<u>65.0</u>	<u>2.30%</u>
Total	<u>335.0</u>	<u>N/A</u>

As of December 31, 2022, we had unutilized banking facilities of RMB615.0 million.

As of December 31, 2022, we did not have any significant contingent liabilities.

We monitor capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, net of cash and cash equivalent, restricted bank deposits and term deposit with original maturity over three months. Total capital is calculated as “equity” as shown in the consolidated statement of financial position. As at December 31, 2022 and 2021, the Group has a net cash position.

Capital Expenditure

Our capital expenditures primarily included purchase of equipment and intangible assets. Our capital expenditures decreased by 37.2% to RMB12.3 million in 2022 from RMB19.6 million in 2021. We plan to fund our planned capital expenditures using cash generated from operations.

Material Acquisitions and Future Plans for Major Investments

As of December 31, 2022, the Group did not have any plans for major investments and capital assets. During the year ended December 31, 2022, we did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Major Investments Held

On March 12, 2019, we entered into a subscription agreement and a strategic cooperation agreement with Huanxi Media Group Limited. Pursuant to the subscription agreement, we have conditionally agreed to subscribe for, and Huanxi Media Group Limited has conditionally agreed to allot and issue to us, 236,600,000 shares at a total consideration of HK\$390,555,620. Under such agreements, we planned to establish strategic cooperation with Huanxi Media Group Limited in entertainment content services. On March 19, 2019, the subscription was completed and the consideration was duly paid. For further details, please see our announcement dated March 13, 2019 and our Annual Report for 2018 and 2019. As at December 31, 2022, we held 5.7% equity interest of Huanxi Media Group Limited.

Foreign Exchange Risk Management

Our businesses are principally conducted in RMB, which is exposed to foreign currency risk with respect to transactions denominated in currencies other than RMB. Foreign exchange risk arises from recognized assets and liabilities and net investments in foreign operations. We manage foreign exchange risk by performing regular reviews of our foreign exchange exposures and try to minimize these exposures through natural hedges, wherever possible, and may enter into forward foreign exchange contracts, when necessary. We did not enter into any forward contract or other financial instruments to hedge our exposure to foreign currency risk in 2022.

Employees and Remuneration Policy

As of December 31, 2022, we had 724 full-time employees, all of whom were based in mainland China and Hong Kong, primarily at our headquarters in Beijing, with the remainder in Shanghai and various other cities in China.

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

As required under the PRC regulations, we participate in housing fund and various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, maternity, work-related injury and unemployment benefit plans, under which the Group and its employees who are based in mainland China are required to make monthly contributions to these plans at specified percentages of the salaries of the employees. There was no forfeited contribution utilized to offset employers' contributions for the year ended December 31, 2022, and there was no forfeited contribution available to reduce the contribution. The Group also provides a mandatory provident fund scheme for employees employed under the Hong Kong Employment Ordinance.

EVENTS AFTER THE REPORTING PERIOD

No important events affecting the Group occurred since December 31, 2022 and up to the date of this announcement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	Year ended December 31,	
		2022	2021
		RMB'000	RMB'000
Revenue	4	2,319,477	3,323,415
Cost of revenue	5	<u>(1,299,507)</u>	<u>(1,481,184)</u>
Gross profit		1,019,970	1,842,231
Selling and marketing expenses	5	(480,092)	(672,539)
General and administrative expenses	5	(299,964)	(360,176)
Net impairment losses on financial assets		(83,349)	(194,060)
Net impairment losses on non-financial assets	11	(33,672)	(113,468)
Other income	6	38,551	23,251
Other gains, net	6	<u>643</u>	<u>13,044</u>
Operating profit		162,087	538,283
Finance income		39,263	28,246
Finance costs		<u>(17,138)</u>	<u>(31,289)</u>
Finance income/(costs), net		22,125	(3,043)
Share of losses of investments accounted for using the equity method		<u>(2,921)</u>	<u>(396)</u>
Profit before income tax		181,291	534,844
Income tax expenses	7	<u>(76,479)</u>	<u>(166,342)</u>
Profit for the year		<u>104,812</u>	<u>368,502</u>
Profit is attributable to:			
– Owners of the Company		105,190	368,502
– Non-controlling interests		<u>(378)</u>	<u>–</u>
		<u>104,812</u>	<u>368,502</u>
Earnings per share attributable to owners of the Company (expressed in RMB per share)			
– Basic earnings per share	8	0.09	0.32
– Diluted earnings per share	8	<u>0.09</u>	<u>0.32</u>

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Profit for the year	<u>104,812</u>	<u>368,502</u>
Other comprehensive income/(loss):		
<i>Item that may be reclassified to profit or loss</i>		
Currency translation differences from foreign operations	597	(847)
<i>Items that will not be reclassified to profit or loss</i>		
Currency translation differences from the Company	125,383	(51,117)
Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	<u>(55,501)</u>	<u>10,373</u>
Other comprehensive income/(loss) for the year, net of tax	<u>70,479</u>	<u>(41,591)</u>
Total comprehensive income for the year	<u><u>175,291</u></u>	<u><u>326,911</u></u>
Total comprehensive income/(loss) attributable to:		
– Owners of the Company	175,669	326,911
– Non-controlling interests	<u>(378)</u>	<u>–</u>
Total comprehensive income for the year	<u><u>175,291</u></u>	<u><u>326,911</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	As at December 31,	
		2022	2021
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		18,477	27,230
Right-of-use assets		37,596	7,972
Intangible assets		4,947,969	5,062,928
Investments accounted for using the equity method		44,946	46,225
Financial assets at fair value through profit or loss		23,245	23,245
Financial assets at fair value through other comprehensive income		430,552	314,632
Deferred income tax assets		–	14,549
Prepayments, deposits and other receivables	11	62,560	4,750
		5,565,345	5,501,531
Current assets			
Inventories		19,274	35,049
Accounts receivables	10	436,922	909,862
Prepayments, deposits and other receivables	11	1,782,797	1,894,742
Prepaid income tax		9,828	–
Financial assets at fair value through profit or loss		42,476	93,306
Restricted bank deposits		165,216	23,805
Term deposits with original maturity over three months		515,285	50,051
Cash and cash equivalents		1,720,875	2,519,989
		4,692,673	5,526,804
Total assets		10,258,018	11,028,335

	<i>Note</i>	As at December 31,	
		2022	2021
		RMB'000	RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital		154	154
Reserves		8,328,722	8,249,153
Accumulated losses		<u>(156,516)</u>	<u>(261,635)</u>
Equity attributable to owners of the Company		8,172,360	7,987,672
Non-controlling interests		<u>1,415</u>	–
Total equity		<u>8,173,775</u>	<u>7,987,672</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		111,184	132,016
Lease liabilities		<u>23,719</u>	–
		<u>134,903</u>	<u>132,016</u>
Current liabilities			
Borrowings	<i>12</i>	335,000	512,500
Accounts payables	<i>13</i>	386,670	293,372
Other payables, accruals and other liabilities	<i>14</i>	1,178,284	2,050,708
Lease liabilities		14,333	9,075
Current income tax liabilities		<u>35,053</u>	<u>42,992</u>
		<u>1,949,340</u>	<u>2,908,647</u>
Total liabilities		<u>2,084,243</u>	<u>3,040,663</u>
Total equity and liabilities		<u>10,258,018</u>	<u>11,028,335</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Maoyan Entertainment (the “**Company**”) was incorporated in the Cayman Islands on December 8, 2017 as an exempted company with limited liability under the Companies Act (as 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 in the PRC.

The financial statements for the year ended December 31, 2022 are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated. The financial statements for the year ended December 31, 2022 have been approved for issue by the Company’s board of directors (the “**Board**”) on March 23, 2023.

2 BASIS OF PREPARATION

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

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

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

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

The Group has applied new and amended standards effective for the financial year beginning on January 1, 2022. The adoption of these new and revised standards does not have any significant impact on the consolidated financial statements of the Group.

(b) New and amended standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting period of December 31, 2022 and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting period and on foreseeable future transactions.

3 SEGMENT INFORMATION

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

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

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

As at December 31, 2022 and 2021, substantially all of the non-current assets were located in the PRC.

4 REVENUE

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contract with customers under IFRS15		
Entertainment content services	1,081,947	1,444,031
Online entertainment ticketing services	1,067,722	1,713,748
Advertising services and others	138,292	253,213
	<u>2,287,961</u>	<u>3,410,992</u>
Gains/(losses) on movies and TV series investments	<u>31,516</u>	<u>(87,577)</u>
Total revenue	<u>2,319,477</u>	<u>3,323,415</u>
	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue at a point in time	1,111,558	1,759,725
Revenue over time	<u>1,176,403</u>	<u>1,651,267</u>
Revenue from contract with customers under IFRS15	<u>2,287,961</u>	<u>3,410,992</u>

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue recognized as an agent		
– Online entertainment ticketing services	1,067,722	1,713,748
– Advertising services and others	59,069	121,821
Revenue recognized as a principal		
– Entertainment content services	1,081,947	1,444,031
– Advertising services and others	79,223	131,392
Revenue from contract with customers under IFRS 15	<u>2,287,961</u>	<u>3,410,992</u>

5 EXPENSES BY NATURE

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Staff costs excluding share options and restricted stock units (“RSUs”) granted to directors and employees	352,247	413,542
Content production cost	337,654	258,705
Content distribution and promotion cost	329,536	386,626
Marketing and promotion expenses	321,411	506,754
Ticketing system cost	258,211	418,680
Internet infrastructure cost	182,347	183,042
Amortization of intangible assets	121,637	140,272
Outsourcing expenses	34,038	29,471
Other professional expenses	31,555	30,529
Depreciation of property, plant and equipment	14,190	17,004
Depreciation of right-of-use asset	13,396	13,667
Tax and levies	11,805	13,712
Share options and RSUs granted to directors and employees	8,504	33,417
Auditor’s remuneration	6,665	6,686
– Audit services	6,300	6,300
– Other services	365	386
Rental expense for short-term and low-value leases	6,353	9,126
Expenses from other share-based payment transaction	279	–
Other expenses	49,735	52,666
Total cost of revenues, selling and marketing expenses and general and administrative expenses	<u>2,079,563</u>	<u>2,513,899</u>

During the year ended December 31, 2022, the Group incurred expenses for the purpose of research and development of approximately RMB195,633,000 (2021: RMB229,892,000), which comprised employee benefits expenses of RMB170,520,000 (2021: RMB209,535,000).

6 OTHER INCOME AND OTHER GAINS, NET

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Other income		
Government subsidies	27,629	11,723
Tax credit of input tax additional deduction	<u>10,922</u>	<u>11,528</u>
	<u>38,551</u>	<u>23,251</u>
Other gains, net		
Fair value gain on wealth management products, listed and unlisted investments classified as financial assets at fair value through profit or loss	-	6,734
Loss on disposals of property, plant and equipment	(192)	(594)
Loss on disposals of intangible assets	-	(1,746)
Gains on disposals of associates	273	-
Others	<u>562</u>	<u>8,650</u>
	<u>643</u>	<u>13,044</u>

7 INCOME TAX EXPENSES

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Current income tax	85,501	193,401
Deferred income tax	<u>(9,022)</u>	<u>(27,059)</u>
Income tax expenses	<u>76,479</u>	<u>166,342</u>

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

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

(b) Hong Kong profits tax

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits for the years ended December 31, 2022 and 2021.

(c) **PRC corporate income tax**

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% for the years ended December 31, 2022 and 2021. According to the relevant tax circulars issued by the PRC tax authorities, one subsidiary of the Group is taxed at a preferential tax rate of 15% (2021: 15%) under the relevant PRC tax rules and regulations.

(d) **BVI income tax**

No provision for income tax in BVI has been made as the Group has no income assessable to income tax in BVI for the years ended December 31, 2022 and 2021.

8 EARNINGS PER SHARE

(a) **Basic earnings per share**

	Year ended December 31,	
	2022	2021
Profit attributable to owners of the Company (RMB'000)	<u>105,190</u>	<u>368,502</u>
Weighted average number of ordinary shares outstanding (thousand)	1,119,298	1,118,636
Weighted average number of vested restricted shares outstanding (thousand)	<u>24,404</u>	<u>21,222</u>
Total weighted average number of shares outstanding (thousand)	<u>1,143,702</u>	<u>1,139,858</u>
Basic earnings per share (in RMB)	<u>0.09</u>	<u>0.32</u>

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

(b) **Diluted earnings per share**

	Year ended December 31,	
	2022	2021
Profit attributable to owners of the Company (RMB'000)	<u>105,190</u>	<u>368,502</u>
Total weighted average number of shares outstanding (thousand)	1,143,702	1,139,858
Adjustments for share-based compensation – share options (thousand)	439	1,305
Adjustments for share-based compensation – RSUs (thousand)	<u>2,394</u>	<u>3,391</u>
Weighted average number of shares for diluted earnings per share (thousand)	<u>1,146,535</u>	<u>1,144,554</u>
Diluted earnings per share (in RMB)	<u><u>0.09</u></u>	<u><u>0.32</u></u>

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

For the years ended December 31, 2022 and 2021, the Company had dilutive potential ordinary shares of share options and RSUs granted to employees.

9 DIVIDENDS

No dividends have been paid or declared by the Company during the years ended December 31, 2022 and 2021.

10 ACCOUNTS RECEIVABLES

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Related parties	41,793	294,391
Third parties	<u>647,659</u>	<u>814,200</u>
	689,452	1,108,591
Less: allowance for impairment	<u>(252,530)</u>	<u>(198,729)</u>
	<u><u>436,922</u></u>	<u><u>909,862</u></u>

(a) The carrying amounts of the accounts receivables balances approximated to their fair value as at December 31, 2022 and 2021.

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

	As at December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
0-90 days	313,706	932,614
91-180 days	50,431	26,044
181-365 days	138,441	11,564
Over 365 days	186,874	138,369
	<u>689,452</u>	<u>1,108,591</u>

11 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments for:		
– investments and productions in movies and TV series (a)	1,246,817	1,253,630
– contract fulfilment costs for movie productions (b)	126,340	140,389
– operating expenses (c)	74,531	71,102
– others	10,785	9,885
	<u>1,458,473</u>	<u>1,475,006</u>
Total of prepayments	1,458,473	1,475,006
Less: Impairment for prepayment (a)	<u>(103,916)</u>	<u>(113,468)</u>
Total of prepayments – net	<u>1,354,557</u>	<u>1,361,538</u>
Deposits and other receivables:		
Deposits and receivables for online entertainment ticketing, e-commerce and other services (d)	508,345	600,501
Loans to third parties (e)	142,933	169,950
Amounts due from related parties	124,906	85,054
Receivables from investments in movies and TV series (f)	89,357	71,029
Deposits for rentals and others	26,591	13,546
Others	38,003	36,620
	<u>930,135</u>	<u>976,700</u>
Total of deposits and other receivables	<u>930,135</u>	<u>976,700</u>
Less: Impairment for financial assets at amortised cost	<u>(439,335)</u>	<u>(438,746)</u>
Total of deposits and other receivables – net	<u>490,800</u>	<u>537,954</u>
Total of prepayment, deposits and other receivables – net	1,845,357	1,899,492
Less: non-current portion	<u>(62,560)</u>	<u>(4,750)</u>
	<u>1,782,797</u>	<u>1,894,742</u>

- (a) The Group offers distribution and promotion services, which is considered as one of the principal activities of the Group. The investments and rights in movies and TV series with distribution and promotion services are designated as prepayments. The impairment provision mainly represents impairment of prepayments for investments and productions in movies and TV series, which are capitalised movie production and distribution costs subject to impairment assessment. During the year ended December 31, 2022, due to factors including but not limited to major actors of certain projects being replaced, the risk of being unable to be released in the foreseeable future, and the deterioration of financial and operational position of the business partners, the Group further assessed the probability of non-performance (i.e. the movies or TV series not able to be exhibited) and made impairment provision of approximately RMB33,672,000 (2021: RMB113,468,000) against prepayments for investments and rights in movies and TV series based on the expected recoverable amount estimated by the directors in light of the aforementioned considerations; and wrote off RMB43,224,000 (2021: Nil) since there is no reasonable expectation of recovery.
- (b) The contract fulfilment costs for movie productions represents the certain movie production costs when the Group controls the movie production process and is considered to be a producer.
- (c) The amounts mainly represents marketing and promotion expenses which would be recognized as expenses when the services are provided to the Group.
- (d) In line with the general industry practice and after prudently considering factors including creditworthiness and cooperation relationships with relevant business partners to control potential risk, the Group prepaid deposits or advance payments to some cinemas and large-scale concerts organizers operating within China, and then deducted or recovered such prepayment during the settlement with such business partners at a later stage.
- (e) As at December 31, 2022, except for a loan to third party with carrying amount of RMB41,788,000 are repayable on December 15, 2024, the remaining are repayable within 1 year. Except for interest-free and unsecured loans amounting to approximately RMB30,500,000, the remaining loans are interest-bearing at fixed rates ranging from 3% to 13% per annum. Included in the interest-bearing loans, an aggregate of RMB52,298,000 are secured by the debtors' certain receivables.
- (f) The amounts mainly represent the investments with fixed returns in certain movies and TV series projects.

12 BORROWINGS

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Bank borrowings – due within one year		
– Secured	190,000	59,000
– Guaranteed	80,000	383,500
– Unsecured	65,000	70,000
	335,000	512,500

13 ACCOUNTS PAYABLES

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

	As at December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
0 – 90 days	117,718	130,441
91 – 180 days	68,959	38,361
181 – 365 days	72,158	53,126
Over 365 days	127,835	71,444
	<u>386,670</u>	<u>293,372</u>

14 OTHER PAYABLES, ACCRUALS AND OTHER LIABILITIES

	As at December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Payables in respect of online entertainment ticketing, e-commerce services and advance in respect of content production	691,042	900,665
Payables in respect of share in the box office receipts	252,436	831,719
Payroll and welfare payable	110,079	112,719
Loans from third parties	–	84,526
Amounts due to related parties	86,121	82,404
Other tax liabilities	8,112	8,325
Others	30,494	30,350
	<u>1,178,284</u>	<u>2,050,708</u>

OTHER INFORMATION

Final Dividend

The Board has resolved not to recommend the payment of a final dividend for the year ended December 31, 2022 (2021: Nil).

Use of Proceeds

The Shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date with net proceeds received by the Company from the global offering in the amount of approximately HK\$1,839.3 million after deducting underwriting commissions and all related expenses. The following table sets forth the Company's use of the proceeds from the listing up to December 31, 2022. All proceeds from the global offering have been fully utilized as of December 31, 2022.

Intended use of net proceeds	Allocation of net proceeds	Amount of net proceeds utilized as of December 31, 2022	Balance of net proceeds as of December 31, 2022
		<i>HK\$ in million</i>	
Funding for improving integrated platform capabilities	551.8	551.8	–
Research and development and technical infrastructure	551.8	551.8	–
Funding potential investments and acquisitions	551.8	551.8	–
Working capital and general corporate purposes	183.9	183.9	–

Compliance with Corporate Governance Code

The Company is dedicated to maintaining and ensuring high standards of corporate governance practices and the corporate governance principles of the Company are adopted in the interest of the Company and its Shareholders. The Board considered that the Company had complied with all applicable code provisions set out in the Corporate Governance Code during the Reporting Period.

Model Code for Securities Transactions by Directors

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

Purchase, Sale or Redemption of the Listed Securities

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

Audit Committee

The Audit Committee has, together with the Board of the Company, reviewed the consolidated financial statements of the Group for the year ended December 31, 2022. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to, among others, the auditing, risk management, internal control and financial reporting of the Company. Based on the above review and discussion, the Audit Committee is satisfied that the consolidated financial statements of the Group for the year ended December 31, 2022 have been prepared in accordance with the applicable accounting principles and practices.

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

The figures in respect of the consolidated financial statements of the Group and the related notes thereto for the year ended December 31, 2022 as set out in this announcement have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the consolidated financial statements of the Group for the year ended December 31, 2022. The work performed by the Company's auditor in this respect did not constitute an assurance engagement and consequently no assurance has been expressed by the Company's auditor on this announcement.

Frozen Equity Interests of Tianjin Maoyan Weying

Reference is made to the 2021 annual results announcement, 2021 annual report, 2022 interim results announcement and 2022 interim report of the Company published on March 24, 2022, April 26, 2022, August 18, 2022 and September 15, 2022 respectively, including the disclosure in relation to the frozen equity interests of Tianjin Maoyan Weying. As further advised by Weying, Weying and the plaintiff had reached a dispute settlement agreement and are proceeding with such settlement agreement accordingly. As of December 31, 2022, the equity interests held by Weying Culture in Tianjin Maoyan Weying remains frozen.

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

Closure of Register of Members

The Company will hold the AGM on Wednesday, June 28, 2023. The register of members of the Company will be closed from Friday, June 23, 2023 to Wednesday, June 28, 2023, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend and vote at the AGM, during which period no share transfers will be registered. To be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, June 21, 2023.

Publication of the Annual Results and Annual Report

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

DEFINITIONS

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

“AGM”	the Annual General Meeting of the Company to be held on June 28, 2023
“Audit Committee”	the audit committee of the Company
“Board”	the board of directors of the Company
“Company” or “Maoyan”	Maoyan Entertainment, an exempted company incorporated in the Cayman Islands with limited liability and whose Shares are listed on the Main Board of the Stock Exchange (Stock Code: 1896)

“Confirmation”	In response to the lawsuits in which Weying acted as defendants and the equity interests held by Weying Culture in Tianjin Maoyan Weying were therefore frozen as disclosed in 2021 annual results announcement, 2021 annual report, 2022 interim results announcement and 2022 interim report of the Company published on March 24, 2022, April 26, 2022, August 18, 2022 and September 15, 2022, the confirmation letter co-issued by Weying Technology and Weying Culture to Tianjin Maoyan Weying and WFOE, pursuant to which Weying undertook to comply with and fulfil the terms and conditions, responsibilities and obligations under the Contractual Arrangements including but not limited to fully cooperating with the WFOE’s instructions when the WFOE exercises its irrevocable and exclusive right to purchase the frozen equity interests, or transfer the frozen equity interests to the WFOE’s assignee at the WFOE’s request
“Consolidated Affiliated Entities”	entities whose financial have been consolidated and accounted for as subsidiaries of the Company by virtue of the Contractual Arrangements
“Contractual Arrangements”	the series of contractual arrangements entered into by, among others, the WFOE, Tianjin Maoyan Weying and the Registered Shareholders
“Corporate Governance Code” or “CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”, “our Group”, “we” or “us”	the Company, its subsidiaries and the Consolidated Affiliated Entities
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee

“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	February 4, 2019, the date on which the Shares became listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maoyan Technology/WFOE”	Tianjin Maoyan Weying Technology Co., Ltd. (天津貓眼微影科技有限公司), a company incorporated under the laws of the PRC on February 5, 2018 with limited liability and a wholly owned subsidiary of our Company
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“PRC” or “China”	the People’s Republic of China, which, for the purpose of this annual results only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Registered Shareholders”	Enlight Holdings Limited, Beijing Enlight Media Co., Ltd., Linzhi Lixin Information Technology Co., Ltd., Shanghai Sankuai Technology Co., Ltd., Beijing Shiji Weying Culture Development Co., Ltd., Tianjin Caichuang Enterprise Management and Consultation Partnership (Limited Partnership), Tianjin Caixuan Enterprise Management and Consultation Partnership (Limited Partnership), Tianjin Caiyi Enterprise Management and Consultation Partnership (Limited Partnership), Tianjin Caiying Enterprise Management and Consultation Partnership (Limited Partnership) and Tianjin Guanghong Enterprise Management and Consultation Partnership (Limited Partnership), which hold equity interests of Tianjin Maoyan Weying
“Reporting Period”	year ended December 31, 2022
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the share capital of the Company with a par value of US\$0.00002
“Shareholder(s)”	holder(s) of the Share(s)

“Stock Exchange” or “SEHK”	the Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Tianjin Maoyan Weying”	Tianjin Maoyan Weying Cultural Media Co., Ltd. (天津貓眼微影文化傳媒有限公司), formerly known as Tianjin Maoyan Cultural Media Co., Ltd. (天津貓眼文化傳媒有限公司), a company incorporated under the laws of the PRC on May 27, 2015 with limited liability and a Consolidated Affiliated Entity, which is a holding company of all the other Consolidated Affiliated Entities of our Group
“US\$” or “US dollars” or “USD”	U.S. dollars, the lawful currency of the United States of America
“Weying”	Weying Culture and Weying Technology
“Weying Culture”	Beijing Shiji Weying Culture Development Co., Ltd. (北京世紀微影文化發展有限公司), a company incorporated under the laws of the PRC on July 22, 2016, with the limited liability and one of our Registered Shareholders
“Weying Technology”	Beijing Weying Shidai Technology Co., Ltd. (北京微影時代科技有限公司), a company established under the laws of the PRC with limited liability, and/or its subsidiaries, as the case may be
“%”	per cent

By order of the Board
Maoyan Entertainment
Zheng Zhihao
Executive Director

Hong Kong, March 23, 2023

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Zheng Zhihao as Executive Director, Mr. Wang Changtian, Ms. Li Xiaoping, Ms. Wang Jian, Mr. Sun Zhonghuai, Mr. Chen Shaohui and Mr. Tang Lichun, Troy as Non-executive Directors, and Mr. Wang Hua, Mr. Chan Charles Sheung Wai, Mr. Yin Hong and Ms. Liu Lin as Independent Non-executive Directors.