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阿里巴巴·影业集团™
Alibaba·Pictures

Alibaba Pictures Group Limited
阿里巴巴影業集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 1060)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2018

The board of directors (the "Board") of Alibaba Pictures Group Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended September 30, 2018 together with the comparative figures for the corresponding period in 2017. The unaudited condensed consolidated interim financial information for the six months ended September 30, 2018 has been reviewed by the audit committee of the Company. PricewaterhouseCoopers, the Company's auditor, has conducted its review on the unaudited condensed consolidated interim financial information for the six months ended September 30, 2018 in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, on which they have expressed an unmodified review conclusion.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	**For the six months ended September 30, 2018 (Unaudited)** *RMB'000*	2017 (Unaudited) *RMB'000*
Revenue	4	**1,532,252**	1,184,181
Cost of sales and services		**(738,579)**	(297,695)
Gross profit		**793,673**	886,486
Selling and marketing expenses		**(871,714)**	(1,055,235)
Administrative expenses		**(455,741)**	(351,843)
Reversal of impairment losses on financial assets-net		**24,016**	–
Other income	5	**24,042**	37,819
Other gains, net	6	**62,242**	57,593
Operating loss		**(423,482)**	(425,180)
Finance income	7	**267,712**	35,475
Finance expenses	7	**(6,199)**	(75,360)
Finance income/(expenses), net		**261,513**	(39,885)
Share of profit or loss of and gain on dilution of investments accounted for using the equity method	10	**15,554**	49,372
Loss before income tax		**(146,415)**	(415,693)
Income tax expense	8	**(8,050)**	(15,064)
Loss for the period		**(154,465)**	(430,757)
Attributable to:			
Owners of the Company		**(125,545)**	(384,258)
Non-controlling interests		**(28,920)**	(46,499)
Loss per share attributable to owners of the Company for the period *(expressed in RMB cents per share)*	9		
– Basic		**(0.50)**	(1.52)
– Diluted		**(0.50)**	(1.52)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended September 30,	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Loss for the period	**(154,465)**	(430,757)
Other comprehensive income/(loss):		
Item that may be reclassified to profit or loss		
Currency translation differences	**145,186**	(6,566)
Change in fair value of available-for-sale financial assets, net of tax	**–**	(7,969)
Other comprehensive income/(loss) for the period, net of tax	**145,186**	(14,535)
Total comprehensive loss for the period	**(9,279)**	(445,292)
Attributable to:		
Owners of the Company	**18,981**	(398,163)
Non-controlling interests	**(28,260)**	(47,129)
Total comprehensive loss for the period	**(9,279)**	(445,292)

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**As at September 30, 2018 (Unaudited)** *RMB'000*	As at March 31, 2018 (Audited) *RMB'000*
Assets			
Non-current assets			
Property, plant and equipment		**216,504**	232,378
Goodwill		**3,546,504**	3,546,504
Intangible assets		**151,480**	158,400
Deferred income tax assets		**419**	419
Investments accounted for using the equity method	10	**2,460,012**	2,387,742
Available-for-sale financial assets	3	**–**	52,000
Financial assets at fair value through profit or loss		**1,430,041**	1,122,587
Trade and other receivables, and prepayments	11	**119,070**	111,250
		7,924,030	7,611,280
Current assets			
Inventories		**658**	756
Film and TV copyrights		**1,074,567**	990,145
Trade and other receivables, and prepayments	11	**1,461,824**	1,156,370
Current income tax recoverable		**7,134**	575
Financial assets at fair value through profit or loss		**1,319,776**	–
Available-for-sale financial assets	3	**–**	666,992
Cash and cash equivalents		**2,338,240**	1,685,719
Bank deposits with the maturity over three months		**2,115,112**	2,740,707
Restricted cash		**19,442**	17,719
		8,336,753	7,258,983
Assets classified as held-for-sale		**–**	112,320
		8,336,753	7,371,303
Total assets		**16,260,783**	14,982,583

	Note	As at September 30, 2018 (Unaudited) *RMB'000*	As at March 31, 2018 (Audited) *RMB'000*
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		**5,135,167**	5,131,405
Reserves		**8,872,294**	8,845,292
		14,007,461	13,976,697
Non-controlling interests		**90,734**	120,202
Total equity		**14,098,195**	14,096,899
Liabilities			
Non-current liabilities			
Borrowings	12	**722,095**	23,311
Deferred income tax liabilities		**37,461**	37,426
Finance lease liabilities		**8,532**	11,986
		768,088	72,723
Current liabilities			
Trade and other payables, and accrued charges	13	**1,350,798**	794,247
Contract liabilities		**31,760**	–
Borrowings	12	**4,000**	3,000
Finance lease liabilities		**7,942**	7,979
		1,394,500	805,226
Liabilities directly associated with assets classified as held-for-sale		**–**	7,735
		1,394,500	812,961
Total liabilities		**2,162,588**	885,684
Total equity and liabilities		**16,260,783**	14,982,583

1 GENERAL INFORMATION

Alibaba Pictures Group Limited (the "Company") and its subsidiaries (together, the "Group") form an internet-driven integrated platform that covers content production, promotion and distribution, IP licensing and integrated management, cinema ticketing management and data services for the entertainment industry.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited (the "HK Stock Exchange") and secondary listing on the Singapore Exchange Securities Trading Limited. As at September 30, 2018, the Company is 49.00% owned by Ali CV Investment Holding Limited ("Ali CV"). Ali CV is a wholly-owned subsidiary of Alibaba Investment Limited ("AIL") which is in turn wholly-owned by Alibaba Group Holding Limited ("AGHL").

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended September 30, 2018 has been prepared in accordance with Hong Kong Accounting Standard 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the fifteen months ended March 31, 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies applied are consistent with those of the annual financial statements for the fifteen months ended March 31, 2018, as described in those annual financial statements, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments, if applicable, as a result of adopting the following standards:

- HKFRS 9 '*Financial instruments*', and
- HKFRS 15 '*Revenue from contracts with customers*'

The impact of the adoption of these standards and the new accounting policies are disclosed in Note 3 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

(b) New standards and amendments not yet adopted

HKFRS 16, 'Leases'

Nature of change

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

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has certain non-cancellable operating lease commitments.

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognized on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Date of adoption by the Group

Mandatory for financial years commencing on or after January 1, 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective that would be expected to have a material impact on the Group.

3 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 'Financial Instruments' and HKFRS 15 'Revenue from Contracts with Customers' on the Group's condensed consolidated interim financial information and also discloses the new accounting policies that have been applied from April 1, 2018, where they are different to those applied in prior periods.

(a) Impact on the financial statements

HKFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The Group used modified retrospective approach while adopting HKFRS 9. The reclassification and adjustments are therefore not reflected in the balance sheet as at March 31, 2018, but are recognized in the opening balance sheet on April 1, 2018.

The Group has adopted HKFRS 15 using the modified retrospective approach and has not restated comparatives for the six months ended September 30, 2017.

The following tables show the adjustments recognized for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

Balance sheet (extract)	March 31, 2018 As originally presented	HKFRS 9	HKFRS 15	April 1, 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Available-for-sale financial assets	**52,000**	**(52,000)**	**–**	**–**
Financial assets at fair value through profit or loss ("FVTPL")	**1,122,587**	**52,000**	**–**	**1,174,587**
Current assets				
Available-for-sale financial assets	**666,992**	**(666,992)**	**–**	**–**
FVTPL	**–**	**666,992**	**–**	**666,992**
Current liabilities				
Trade and other payables, and accrued charges	**794,247**	**–**	**(15,848)**	**778,399**
Contract liabilities	**–**	**–**	**15,848**	**15,848**

The adjustments are explained in more details by relevant standard as described below.

(b) HKFRS 9 'Financial Instruments' – Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 'Financial Instruments' from April 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognized in the financial information. The new accounting policies are set out in Note 3(c) below.

The total impact on the Group's accumulated losses as at April 1, 2018 is as follows:

	Note	Accumulated losses
		RMB'000
Closing balance at March 31, 2018		**(2,374,681)**
Reclassify investments from available-for-sale financial assets to FVTPL	(i)	**915**
Opening balance at April 1, 2018		**(2,373,766)**

(i) *Classification and measurement*

On April 1, 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

	Note	**FVTPL** *RMB'000*	**Available-for-sale financial assets** *RMB'000*
Closing balance at March 31, 2018		**1,122,587**	**718,992**
Reclassify debts instruments from available-for-sale financial assets to FVTPL	(1)	**666,992**	**(666,992)**
Reclassify equity instruments from available-for-sale financial assets to FVTPL	(1)	**52,000**	**(52,000)**
Opening balance at April 1, 2018		**1,841,579**	**–**

The impact of these changes on the Group's equity is as follows:

	Note	**Effect on investment revaluation reserve** *RMB'000*	**Effect on accumulated losses** *RMB'000*
Closing balance at March 31, 2018		**915**	**(2,374,681)**
Reclassify investments from available-for-sale financial assets to FVTPL	(1)	**(915)**	**915**
Opening balance at April 1, 2018		**–**	**(2,373,766)**

Note:

(1) Reclassification from available-for-sale financial assets to FVTPL

The Group's debts investments in wealth management products and unlisted equity investments were reclassified from available-for-sale financial assets to FVTPL (RMB666,992,000 and RMB52,000,000, respectively, as at April 1,2018). They do not meet the HKFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest. Related fair value gains of RMB915,000 were transferred from the investment revaluation reserve to accumulated losses on April 1, 2018.

(ii) Impairment of financial assets

The Group has two types of financial assets that is subject to HKFRS 9's new expected credit loss model.

- Trade receivables

- Other receivables

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's accumulated losses and equity was immaterial.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the HKFRS 9 simplified approach in measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. On that basis, there was no significant increase in the loss allowance for trade receivables which will be adjusted to the beginning balance of accumulated losses as at April 1, 2018.

Trade receivables are written off when 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, and a failure to make contractual payments over a certain period after the due date.

Other receivables

For other receivables, applying the expected credit risk model did not result in any significant increase in loss allowance for the six months ended September 30, 2018.

(c) HKFRS 9 'Financial Instruments' – Accounting policies applied from April 1, 2018

(i) Investments and other financial assets

Classification

From April 1, 2018, the Group classifies its financial assets in the following measurement categories:

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

- those to be measured at amortised cost.

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

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

Measurement

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

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

Debts instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in 'other gains, net', together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the interim condensed consolidated statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in 'other gains, net'. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in 'other gains, net' and impairment expenses are presented as separate line item in the interim condensed consolidated statement of profit or loss.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net within 'other income' in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments through profit or loss. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

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

Impairment

From April 1, 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

(d) HKFRS 15 'Revenue from Contracts with Customers' – Accounting policies and impact of adoption

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

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

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

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

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

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

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

Impact of adoption of HKFRS 15

The Group has voluntarily changed the presentation of certain amounts in the balance sheet to reflect the terminology of HKFRS 15. In summary, the following adjustments were made to the amounts recognized in the balance sheet at the date of initial application (April 1, 2018):

	HKAS 18 carrying amount at March 31, 2018	**Reclassification**	**HKFRS 15 carrying amount at April 1, 2018**
	RMB'000	*RMB'000*	*RMB'000*
Current Liabilities			
Trade and other payables, and accrued charges	794,247	(15,848)	778,399
Contract liabilities	–	15,848	15,848

The adoption of HKFRS 15 does not have any impact on the Group's accumulated losses as at April 1, 2018.

Accounting policies for the Group's revenue sources

The Group principally derives revenue from promotion and distribution, cinema ticketing management and data services, content production, IP licensing, e-commercial entertainment services.

(i) *Internet-based promotion and distribution*

The Group operates of an integrated O2O platform for the promotion and distribution of entertainment content and the provision of online movie ticketing service to cinemas. The Group also provides ticket issuance system and related services to cinemas.

(1) Revenue from provision of services (including online movie ticketing related services, distribution and promotion services, ticketing system related services and advertising services) is recognized in the accounting period in which the services are rendered as the customer consumed the services simultaneously.

(2) Revenue from cinema admission tickets sold is recognized when tickets are accepted and consumed by the customer. Revenue from tickets sold for use at a future date is deferred until the tickets are consumed or have expired.

(ii) *Content production*

The Group invests in and produce entertainment content such as film and drama series both domestically and internationally.

(1) Revenue from share of box office of film is recognized when the film is shown and the right to receive payment is established.

(2) Revenue from the licensing and sub-licensing of film and TV copyrights is recognized upon the delivery of the master tapes to the customers, in accordance with the terms of the underlying contracts.

(iii) *Integrated development*

The Group centered around copyrights, the development of professional services ranging from financing, business placement, promotion and distribution to merchandising.

(1) Revenue from sales of goods is recognized when a group entity sells a product to the customer.

(2) Revenue from the licensing and sub-licensing of IP is recognized when services are provided and the right to receive payment is established.

4 REVENUES AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board of Directors of the Company. Management has determined the operating segments based on the information reviewed by the Board of Directors of the Company for the purposes of allocating resources and assessing performance.

The Board of Directors of the Company considers the business from perspective of types of goods or services delivered or provided. During the six months ended September 30, 2018, the Group's operating and reportable segments are as follows:

– Internet-based promotion and distribution: the operation of an integrated O2O platform for the promotion and distribution of entertainment content, and the provision of online movie ticketing service to consumers and ticket issuance system to cinemas.

– Content production: the investment and production of entertainment content such as film and drama series both domestically and internationally.

– Integrated development: centered around copyrights, the development of professional services ranging from financing, business placement, promotion and distribution to merchandising.

	For the six months ended September 30,	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Internet-based promotion and distribution	**1,172,354**	983,637
Content production	**310,489**	168,804
Integrated development	**49,409**	31,740
Total revenues	**1,532,252**	1,184,181
Timing of revenue recognition		
At a point in time	**994,987**	715,470
Over time	**537,265**	468,711
Total revenues	**1,532,252**	1,184,181

Segment revenue and results

	For the six months ended September 30, 2018 (Unaudited)			
	Internet-based promotion and distribution *RMB'000*	**Content production** *RMB'000*	**Integrated development** *RMB'000*	**Total** *RMB'000*
Segment revenue	**1,172,354**	**310,489**	**49,409**	**1,532,252**
Segment results	**63,813**	**(164,433)**	**27,989**	**(72,631)**
Unallocated selling and marketing expenses				**(5,410)**
Administrative expenses				**(455,741)**
Reversal of impairment losses on financial assets, net				**24,016**
Other income				**24,042**
Other gains, net				**62,242**
Finance income				**267,712**
Finance expenses				**(6,199)**
Share of profit of investments accounted for using the equity method				**15,554**
Loss before income tax				**(146,415)**

	For the six months ended September 30, 2017 (Unaudited)			
	Internet-based promotion and distribution *RMB'000*	Content production *RMB'000*	Integrated development *RMB'000*	Total *RMB'000*
Segment revenue	983,637	168,804	31,740	1,184,181
Segment results	(222,331)	40,587	22,740	(159,004)
Unallocated selling and marketing expenses				(9,745)
Administrative expenses				(351,843)
Other income				37,819
Other gains, net				57,593
Finance income				35,475
Finance expenses				(75,360)
Share of profit or loss of and gain on dilution of investments accounted for using the equity method				49,372
Loss before income tax				(415,693)

All of the segment revenue reported above is from external customers and there were no intersegment sales for both periods.

Segment results represent the gross profit generated or gross loss incurred by each segment after allocation of certain selling and marketing expenses. This is the measure reported to the Board of Directors of the Company for the purpose of resource allocation and performance assessments.

Segment assets and liabilities are not regularly reported to the Board of Directors of the Company and therefore information of separate segment assets and liabilities is not presented.

5 OTHER INCOME

	For the six months ended September 30,	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Investment income on investments in wealth management products	**19,233**	25,294
Local government subsidies	**2,424**	9,835
Sundry income	**2,385**	2,690
Total	**24,042**	37,819

6 OTHER GAINS, NET

	For the six months ended September 30,	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Change in fair value of convertible bonds	**49,920**	61,670
Gain on disposal of a subsidiary *(Note)*	**16,914**	–
Net (loss)/gain on disposal of property, plant and equipment	**(2,997)**	7
Others	**(1,595)**	(4,084)
Total	**62,242**	57,593

Note:

The amount represents the gain on disposal of all the 75% equity interest in Orbgen Technologies Private Limited, a non-wholly-owned subsidiary of the Company, during the six months ended September 30, 2018.

7 FINANCE INCOME AND EXPENSES

	For the six months ended September 30, 2018 (Unaudited) *RMB'000*	2017 (Unaudited) *RMB'000*
Finance income		
– Interest income on bank deposits	**70,458**	35,475
– Exchange gain, net	**197,254**	–
	267,712	35,475
Finance expenses		
– Exchange loss, net	**–**	(67,567)
– Interest expenses on bank borrowings	**(6,199)**	(7,793)
	(6,199)	(75,360)
Finance income/(expenses), net	**261,513**	(39,885)

8 INCOME TAX EXPENSE

	For the six months ended September 30, 2018 (Unaudited) *RMB'000*	2017 (Unaudited) *RMB'000*
Current income tax	**9,068**	16,120
Deferred income tax	**(1,018)**	(1,056)
	8,050	15,064

The Company is incorporated in Bermuda as an exempted company with limited liability under the Companies Law of Bermuda and accordingly, is exempted from Bermuda income tax.

Some of the subsidiaries are incorporated in BVI as an exempted company with limited liability under the Companies Law of BVI and accordingly, is exempted from BVI income tax.

Provision for the PRC enterprise income tax is calculated based on the statutory tax rate of 25% (For the six months ended September 30, 2017: 25%) on the assessable income of each of the group companies, except that: (1) one subsidiary of the Company is taxed at preferential tax rates of 15% (For the six months ended September 30, 2017: 15%) under the relevant PRC tax rules and regulations; and (2) one subsidiary of the Company which is incorporated in Horgos, Xinjiang Province, is exempted from income taxes from its date of incorporation to December 31, 2020 according to the relevant PRC tax rules and regulations.

No provision for Hong Kong and the USA profit tax has been made as the group companies operating in Hong Kong and the USA did not have any assessable profit for both periods.

9 LOSS PER SHARE

	For the six months ended September 30,	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB cents	*RMB cents*
Basic/diluted loss per share	**(0.50)**	(1.52)

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue less shares held for share award scheme during the period.

	For the six months ended September 30,	
	2018	2017
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company *(RMB'000)*	**(125,545)**	(384,258)
Weighted average number of ordinary shares in issue less shares held for share award scheme *(thousands)*	**25,321,752**	25,234,560

(b) Diluted

Diluted earnings or loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares for the six months ended September 30, 2018 and 2017, which are share options and unvested awarded shares. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the closing market price per share for the period) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted loss per share.

The computation of diluted loss per share for the six months ended September 30, 2018 and 2017 did not assume the issuance of any dilutive potential ordinary share since they are antidilutive, which would decrease the loss per share.

10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Movements in investments accounted for using the equity method are as follows:

	For the six months ended September 30,	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
At April 1,	**2,387,742**	2,318,405
Additions	**18,184**	–
Disposal of investment in an associate	**–**	(38,403)
Refund of investment in an associate	**–**	(50,000)
Share of profit/(loss) of investments *(Note a)*	**15,554**	(29,596)
Gain on dilution of interest in an associate *(Note b)*	**–**	78,968
Currency translation differences	**38,532**	(5,161)
At September 30,	**2,460,012**	2,274,213

Notes:

(a) When the most recently available financial statements of associates or joint ventures are different from the Group's reporting date, the Group may take advantage of the provision contained in HKAS 28 whereby it is permitted to include the attributable share of profit or loss of the associates or joint ventures based on the financial statements drawn up to a non-coterminous period end where the difference must be no greater than three months. Adjustments shall be made for the effects of significant transactions or events that occur between that date and the balance sheet date of the Group.

The financial year end date of the Group is March 31, which is different from that of the associates and joint ventures of the Group. The financial information of the Group's associates and joint ventures as at September 30, 2018 and 2017 are not available. As a result, the Group records its share of profit or loss of investments accounted for using the equity method on one quarter in arrear basis for the six months ended September 30, 2018 and 2017.

(b) The amount represented the dilution gain on the Group's investment in Bona Film Group Limited ("Bona Film"). As at March 31, 2017, the Group's interests in Bona Film was 8.24%. During the six months ended September 30, 2017, Bona Film issued new shares to certain investors. Consequently, the Group's interests in Bona Film was diluted from 8.24% to 7.72%. The difference between (1) the decrease in the carrying value of the Group's interest in Bona Film resulting from the decrease in shareholding; and (2) the Group's share of the proceeds received for the new shares issued resulted in a dilution gain of RMB78,968,000 for the six months ended September 30, 2017 .

(c) The Board of Directors of the Company is of the view that none of the Group's associates or joint ventures is individually material to the Group as at September 30, 2018.

11 TRADE AND OTHER RECEIVABLES, AND PREPAYMENTS

	As at September 30, 2018	**(Unaudited)**		As at March 31, 2018	(Audited)	
	Current	**Non-current**	**Total**	Current	Non-current	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables *(Note)*						
– Related parties	**283,187**	**–**	**283,187**	106,134	–	106,134
– Third parties	**662,430**	**–**	**662,430**	513,142	–	513,142
Less: allowance for impairment of trade receivables	**(30,581)**	**–**	**(30,581)**	(26,522)	–	(26,522)
Trade receivables – net	**915,036**	**–**	**915,036**	592,754	–	592,754
Prepaid film deposits	**–**	**117,570**	**117,570**	–	90,000	90,000
Prepayment to related parties	**13,049**	**–**	**13,049**	29,627	–	29,627
Prepayment for investment in film and TV copyrights	**1,364**	**–**	**1,364**	11,560	–	11,560
Other prepayments	**3,413**	**–**	**3,413**	16,930	4,397	21,327
Other receivables arising from:						
– Receivables in respect of Yulebao's business	**311,336**	**–**	**311,336**	243,587	–	243,587
– Deductible VAT input	**87,443**	**–**	**87,443**	70,084	–	70,084
– Refund receivable in relation to the restructuring of Bona Film	**38,167**	**–**	**38,167**	100,370	–	100,370
– Interest income receivables	**33,500**	**–**	**33,500**	17,259	–	17,259
– Deposits receivables	**22,663**	**–**	**22,663**	26,651	–	26,651
– Receivables from related parties	**12,480**	**–**	**12,480**	24,217	–	24,217
– Receivables in respect of reimbursement of distribution expenses	**4,358**	**–**	**4,358**	41,797	–	41,797
– Refundable film copyrights investment cost	**–**	**–**	**–**	4,900	–	4,900
– Others	**60,389**	**1,500**	**61,889**	46,083	16,853	62,936
Less: allowance for impairment of other receivables	**(41,374)**	**–**	**(41,374)**	(69,449)	–	(69,449)
Other receivables and prepayments – net	**546,788**	**119,070**	**665,858**	563,616	111,250	674,866
Total trade and other receivables, and prepayments	**1,461,824**	**119,070**	**1,580,894**	1,156,370	111,250	1,267,620

The fair values of the current portion of trade and other receivables, and prepayments approximate their carrying value.

Note:

The normal credit period granted to the trade debtors of the Group generally ranges from 30 days to one year.

Before accepting any new debtor, the Group assesses the potential debtor's credit quality and defines credit limits by debtors. Credit limits granted to debtors are reviewed regularly.

The aging analysis of the trade receivables based on recognition date is as follows:

	As at September 30, 2018 (Unaudited) *RMB'000*	As at March 31, 2018 (Audited) *RMB'000*
0 – 90 days	**525,647**	327,501
91 – 180 days	**32,534**	183,997
181 – 365 days	**265,145**	28,707
Over 365 days	**122,291**	79,071
	945,617	619,276

12 BORROWINGS

	As at September 30, 2018 (Unaudited) *RMB'000*	As at March 31, 2018 (Audited) *RMB'000*
Unsecured		
Current	**4,000**	3,000
Non-Current	**722,095**	23,311
	726,095	26,311

As at September 30, 2018 and March 31, 2018, the Group's bank borrowings were denominated in the following currencies:

	As at September 30, 2018 (Unaudited) ***RMB'000***	As at March 31 2018 (Audited) *RMB'000*
RMB-denominated	**37,295**	26,311
USD-denominated *(Note a)*	**688,800**	–
Total	**726,095**	**26,311**

Movements in borrowings are analyzed as follows:

	For the six months ended September 30, 2018		
	Current (Unaudited) ***RMB'000***	**Non-Current (Unaudited)** ***RMB'000***	**Total (Unaudited)** ***RMB'000***
Opening amount as at April 1	**3,000**	**23,311**	**26,311**
Repayments of bank borrowings	**(1,500)**	**–**	**(1,500)**
Proceeds from bank borrowings	**2,500**	**692,716**	**695,216**
Effect of change in exchange rate	**–**	**6,068**	**6,068**
Closing amount as at September 30	**4,000**	**722,095**	**726,095**

Notes:

(a) As at September 30, 2018, the Group has USD-demoninated long-term borrowings of USD100,000,000, which bear an interest of 3.75% per annum and has a maturity of 4 years. The Company has provided a corporate guarantee to the relevant bank in relation to these borrowings.

(b) The fair values of current and non-current borrowings approximate their carrying amounts, as the impact of discounting is not significant.

13 TRADE AND OTHER PAYABLES, AND ACCRUED CHARGES

	As at September 30, 2018 (Unaudited) *RMB'000*	As at March 31, 2018 (Audited) *RMB'000*
Trade payables (*Note*)		
– Third parties	**53,779**	63,236
– Related parties	**28,258**	52,353
	82,037	115,589
Other payables and accrued charges		
Payable in relation to distribution of films	**724,468**	22,279
Amounts due to related parties	**94,046**	81,532
Deposits payable	**71,086**	20,496
Payroll and welfare payable	**64,970**	69,269
Payable in respect of Yulebao's business	**61,198**	205,987
Accrued marketing expense	**59,012**	48,461
Amount received on behalf of cinema ticketing system providers	**52,086**	50,510
Other tax payable	**34,697**	32,574
Professional fees payable	**14,608**	12,336
Interest payable	**2,269**	132
Payable for property, plant and equipment	**961**	961
Amount received on behalf of cinemas	**318**	34,120
Advance from customers	**–**	32,108
Others	**89,042**	67,893
	1,268,761	678,658
Total trade and other payables, and accrued charges	**1,350,798**	794,247

Note:

The aging analysis of the trade payables based on invoice date is as follows:

	As at September 30, 2018 (Unaudited) *RMB'000*	As at March 31, 2018 (Audited) *RMB'000*
0 – 90 days	**67,112**	93,967
91 – 180 days	**5,903**	13,286
181 – 365 days	**41**	243
Over 365 days	**8,981**	8,093
	82,037	115,589

14 DIVIDENDS

The Board has resolved not to declare an interim dividend for the six months ended September 30, 2018 (For the six months ended June 30, 2017 and the twelve months ended December 31, 2017: nil).

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended September 30, 2018 (For the six months ended June 30, 2017 and the twelve months ended December 31, 2017: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Having established a strategy to build the foundations of its entertainment ecosystem over the past few years, the Group managed to make impressive progress.

During the six months ended September 30, 2018 (the "Reporting Period"), the Group's business grew steadily with a significant reduction in net loss. During the Reporting Period, the Group recorded revenue of RMB1,532.3 million, compared with RMB1,184.2 million for the six months ended September 30, 2017 (the "Previous Period"), representing a growth of 29.4%. Net loss narrowed from RMB430.8 million in the Previous Period to RMB154.5 million for the Reporting Period, representing a significant reduction of 64.1% year-over-year.

Multiple business segments under the Group have contributed stable revenue growths. The internet-based promotion and distribution business recorded revenue of RMB1,172.4 million during the Reporting Period, representing an increase of 19.2% year-over-year. As an integral part of the new industry infrastructure, the Group's online movie ticketing platform Tao Piao Piao continued to expand its footprints and received wide recognition within the sector. As at September 30, 2018, Tao Piao Piao has directly connected to approximately 9,000 cinemas in Mainland China. Not only has Tao Piao Piao made it easier for consumers to purchase tickets, it has also expanded online promotion channels for entertainment content as it allows users to browse information about films, cinemas and celebrities. Tao Piao Piao has become a powerful tool for internet-based film promotion. In addition, the content production segment recorded revenue of RMB310.5 million, representing a year-over-year growth of 83.9%. Last but not least, the integrated development business, which comprises intellectual property (IP) merchandising and financial services for content providers, is also a key segment within the Group's strategy. This segment contributed revenue of RMB49.4 million during the Reporting Period, representing a growth of approximately 55.7% year-over-year.

Substantial progress was made in each of the Group's three major business segments: (i) internet-based promotion and distribution, (ii) content production, and (iii) integrated development. Details are elaborated in the section headed "Business Review" below.

BUSINESS REVIEW

INTERNET-BASED PROMOTION AND DISTRIBUTION

The online movie ticketing industry has demonstrated fast growth and in-market consolidation in recent years. Maoyan first merged with Yu Piao Er and was subsequently acquired by Enlight Media. The online-ticketing is now a duopoly market with Maoyan and Tao Piao Piao taking majority of the market share. During the Reporting Period, while Mainland China's overall box office grew by 1% from the Previous Period, Tao Piao Piao outperformed the industry in overall revenue growth by recording a 14% increase in gross merchandise value (GMV) as compared with the Previous Period. In addition to Tao Piao Piao's full utilization of its competitive advantage in resources, its further consolidation of market presence and its focused film promotion featuring premium content, Tao Piao Piao also relied on its great products and strong promotion and distribution capabilities to significantly improve its brand awareness and user engagement within the Reporting Period. The Group has now become a preferred partner for promotion and distribution among premium domestic and international film producers.

Through big-data analysis, the Group is able to understand the consumers' tastes and target the right set of audience before determining which film to invest in. The Group adheres to its principle on content with "positive influence and energy", and has produced/co-produced many films of premium quality which are also well received in the market during the Reporting Period.

With the aggregated box office of RMB17.37 billion, the Chinese film market set a new record for the summer holiday season in 2018, representing a year-over-year increase of 6%. Films which the Group invested in and distributed had contributed nearly 50% of such box office: *Dying to Survive* (我不是藥神), which the Group was a co-producer and a co-distributor, attained box office of over RMB3.0 billion; while *Hello Mr. Billionaire* (西虹市首富), which the Group was a co-producer and the main distributor, grossed over RMB2.5 billion in box office. These two films were also the two highest-grossing films in the summer holiday season.

Among the films released in the 2018 National Day holiday season, *Project Gutenberg* (無雙), a film co-produced and distributed by the Group, recorded box office of over RMB1.2 billion as at the date of this announcement.

In terms of international content, *Mission: Impossible – Fallout* (碟中諜6：全面瓦解), a film that the Group co-produced with Paramount Pictures Corporation, grossed box office of over RMB1.2 billion in China and more than US$200 million in North America. The Group will continue to strengthen its strategic cooperation with internationally renowned film studios, as well as promote closer engagement in areas of investment, co-production, merchandising along with promotion and distribution.

In April 2018, the Group rolled out Beacon – a brand new product designed to serve film distribution and marketing companies. Not only does Beacon offer data-analytics to support smart promotional plans, campaigns as well as real-time assessment on the results of digital promotion, it also integrates quality advertising resources from the Group, the Alibaba's e-commence business and other third parties. Beacon has established 3 core advantages: (1) precise understanding of user profiles; (2) ability to maximize promotion and distribution effectiveness; and (3) scalability in expansion capacity. With five months of operation in the market during the Reporting Period, Beacon has served over 30 films with an aggregated box office exceeding RMB10 billion.

The Group's cinema ticketing system Yunzhi (formerly known as Yueke) maintained its steady performance during the Reporting Period. As at September 30, 2018, Yunzhi had established connection with over 3,400 cinemas in China, a year-over-year increase of 12.6%, and ranked first in the industry in terms of the number of cooperating cinemas.

At its product end, Tao Piao Piao, Beacon and Yunzhi have formed the 3 growth drivers for the Group's internet-based promotion and distribution business segment: Tao Piao Piao targets end users and aspires to become China's largest ticketing and review platform; Beacon serves content producers and distributors, and is positioned as a one-stop promotion and distribution platform for film producers; Yunzhi targets cinemas and is China's largest cinema ticketing system in terms of the number of cinemas served.

In terms of financial results, the Group's internet-based promotion and distribution business segment recorded a revenue of RMB1,172.4 million during the Reporting Period, representing an increase of 19.2% from RMB983.6 million in the Previous Period. The increase was primarily attributable to higher online ticketing commission income and revenue from online promotion and distribution. Along with the growth in revenue, Tao Piao Piao increased its market share through popular content and commercialized operation, making noticeable progress towards a business model without ticket subsidies. The Group reduced its marketing expenses on internet-based promotion by 16.9% year-over-year and successfully turned the segment from a loss to an operating profit of RMB63.8 million in the Reporting Period, compared with an operating loss of RMB220 million during the Previous Period.

CONTENT PRODUCTION

The Group's content business consists of being the lead producer and/or the lead investor in films, as well as being the lead producer and/or lead/co investor in drama series. In terms of content development, the Group relies on its own unique advantage in big data analysis, using data to drive and empower content development, which has enabled it to be acutely aware of the changes in audience preference, and to develop film and drama series that cater to current market needs.

During the Reporting Period, the Group has sold the online dissemination rights of several drama series to Youku and iQiyi, among which, Ancient Sword 2 (古劍奇譚二), "SCI謎案集" and Gossip High (舌害) had been released. Going forward, the Group will continue to strengthen its production capabilities for films and drama series, as well as increase investment in quality content.

The Group is currently producing a number of films that are expected to be released in 2019. The production of animated film Peppa Celebrates Chinese New Year (小豬佩奇過大年) has been completed, and the film is expected to be released during the 2019 Lunar New Year (being the Year of the Pig). On top of films, the Group is also involved in the production of and investment in various drama series. Moreover, the Group has also taken part in making several charitable short films, which are expected to be released in the second half of 2018 as well.

During the Reporting Period, the Group's content production segment recorded revenue of RMB310.5 million, representing an increase of 83.9% as compared with the Previous Period. Operating loss of this segment amounted to RMB164.4 million which is primarily attributable to the processing of historical content production. The Group anticipates that such production will not continue to have any negative impact on the Group's future results.

INTEGRATED DEVELOPMENT

IP merchandising is a key segment of the Group's strategy in the segment of integrated development. There is an industry-wide intention to explore the developing business of IP merchandising on an expedited basis as it is a sector with tremendous potential. In January 2018, the Group was granted the exclusive operating right of Alifish (a platform under Alibaba Group) and completed the integration of its IP merchandising business with operations under the Alifish platform. Since then, the Group's proprietary IP merchandising business has been rebranded into Alifish.

Building on the economic fundamentals of its large fan base in Mainland China, Alifish has successfully established a unique trading platform for merchandise development and set a higher standard for industry players. Based on big-data analysis, Alifish accurately connects IP owners with consumers and brands to promote diversified monetization of IP value. It also provides IP users with better solutions for merchandise development through accurate selection and pricing of merchandise categories. Alifish optimizes customer acquisitions via accurate customer profiling and constantly upgrading algorithm.

In terms of product distribution, Alifish has formed value chain services for IP owners and brand merchants, improving algorithm to reach end users at greater accuracy through a scenario-based approach that focuses on user needs, instead of the conventional method of static shelf display.

In terms of IP development, Alifish has already formed partnership with many domestic and overseas IP owners. An additional 35 IP merchandising cases were introduced in the Reporting Period, among which, the GMV of Traveling Frog was now closing on RMB200 million.

Apart from IP merchandising, the Group's integrated development business segment also consists of Yulebao – a C2B TV and Film rights trading platform. Created to deepen user engagement and empower producers, Yulebao continues to explore opportunities for business expansion, positively contributing to a healthy development of the sector. During the Reporting Period, Yulebao secured partnerships with a number of quality content producers, and provided a wide range of services, including sale of interests, to several films and drama series.

The growth and development of the Group's merchandising business contributed to the significant growth in its integrated development business segment. For the Reporting Period, the segment recorded revenue of RMB49.4 million, representing a growth of 55.7%. The segment delivered operating profit of RMB28 million, increasing by 23.1% year-over-year.

PROSPECTS

47 days earlier than 2017, Mainland China's box office exceeded RMB50 billion on October 4, 2018. As box office continues to set new record and the Group delivers stable growth in revenue, our management is confident and excited about the growth prospects of the Group, as it will further expand investment in and development of its own ecosystem.

Going forward, the Group will uphold its strategy of "data + ecosystem", with which it aims to build an end-to-end value chain that covers content production & development, promotion & distribution, merchandising realization and financial services, setting out to empower industry participants and satisfy the needs of mass end users through its strategic cooperation with Alibaba Group. The Group expects to fund its business initiatives in the coming year with its own internal financial resources, but may seek external financing if appropriate opportunities and condition arise.

FINANCIAL REVIEW

Revenue and Profit for the period

During the Reporting Period, the Group recorded revenue of RMB1,532.3 million, representing an increase of 29.4% year-over-year. Net loss from operations narrowed from RMB430.8 million in the Previous Period to RMB154.5 million for the Reporting Period. Comparing the two periods, all three business segments recorded substantial increases in revenue and improvement in overall net loss. The internet-based promotion and distribution segment, which successfully turned from a loss to a profit position during the Reporting Period, accounted for the largest portion of the increase in the overall top line, while the content production segment showed the strongest growth in revenue.

Net loss attributable to the owners of the Company amounted to RMB125.5 million, compared with net loss of RMB384.3 million in the Previous Period. The improvement in the Group's business operations reduced the net loss during the Reporting Period by 67.3% year-over year.

During the Reporting Period, loss per share (basic and diluted) for the Group decreased from RMB1.52 cents for the corresponding period last year to RMB0.5 cents.

Selling, Marketing and Administrative Expenses

Selling and marketing expenses in the Reporting Period were RMB871.7 million, representing a year-on-year decrease of 17.4% when compared with approximately RMB1,055.2 million in the Previous Period. The decrease was primarily attributable to a lowered customer acquisition cost by adopting data-driven methods and benefits created by the overall cancellation of ticket subsidies. Administrative expenses in the Reporting Period grew year-over-year from RMB351.8 million to RMB455.7 million, mainly due to increased employee benefit expenses and higher operating expenses resulted from business expansion.

Finance Income

For the Reporting Period, the Group recorded net finance income of RMB261.5 million, which included foreign exchange gain of RMB197.3 million. As the Group's cash reserves are held in multiple currencies, the foreign exchange gain resulted mainly from the depreciation of RMB against USD in the Reporting Period.

Material Investments

As at September 30, 2018, the Group held more than 15 investments in associates and joint ventures, all of which were accounted for using the equity method, and combined for a total book value of approximately RMB2.46 billion. The three largest investments are in Bona Film Group Limited, Hehe (Shanghai) Pictures Co., Ltd., and Storyteller Holding Co., LLC, which are all involved in film production or distribution. For the Reporting Period, the Group recorded a total gain of RMB15.6 million in its investments in associates and joint ventures.

Save for those disclosed, there were no other material investments held, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

Financial Resources and Liquidity

As at September 30, 2018, the Group had cash and cash equivalents and bank deposits of approximately RMB4.5 billion in multiple currencies. The Group held financial assets at fair value through profit or loss of approximately RMB1,319.8 million, which mainly consist of investments in wealth management products issued by major banks in the PRC with expected return ranged from 2.8% to 5.0% per annum and redeemable within one year. The Group recognized an investment income of approximately RMB19.2 million from financial assets at fair value through current profit or loss in the Reporting Period. The investments in wealth management products under financial assets at fair value through profit or loss were made in line with the Group's treasury and investment policies, after taking into account, among others, the level of risk, return on investment, liquidity and the term to maturity. As at September 30, 2018, the Group had long-term borrowings of RMB33 million, which bear interest at 6.555% per annum, under a five-year RMB-denominated bank facility with credit limit at RMB48 million; the Group also had long-term borrowings of US$100 million, which bear interest at 3.75% per annum, under a four-year USD-denominated bank facility with credit limit at US$100 million. As at September 30, 2018, the Group was in a net cash position and its gearing ratio (being net borrowings over total equity) was nil (March 31, 2018: nil).

Foreign Exchange Risks

The Company holds its cash reserves in RMB, USD and HKD. Although the majority of production costs and administrative expenses are denominated in RMB, many investment opportunities and collaborations with studios outside Mainland China require foreign currencies. The Group has not used currency hedging instruments but continues to monitor its capital needs closely and manage foreign exchange risks accordingly.

Charge on Assets

As at September 30, 2018, the Group did not have any charge on assets (March 31, 2018: nil).

Contingent Liabilities

As at September 30, 2018, the Group did not have any material contingent liabilities (March 31, 2018: nil).

Employees and Remuneration Policies

As at September 30, 2018, the Group, including its subsidiaries but excluding its associates, had 1,231 (March 31, 2018: 1,442) employees. The total employee benefit expenses of the Group were RMB290 million in the Reporting Period. The remuneration policies of the Group are based on prevailing market levels and performance of the respective group companies and individual employees. These policies are reviewed on a regular basis.

CORPORATE GOVERNANCE

During the six months ended September 30, 2018, the Company has applied and complied with the applicable code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except for certain deviations which are summarized below:

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. In view of the fact that Mr. Fan Luyuan has demonstrated outstanding management and leadership capabilities along with his thorough understanding of the Group's strategy of building new infrastructure for the domestic movie industry since his appointment as the chief executive officer of the Company on August 2, 2017, Mr. Fan was also appointed as chairman of the Board, with effect from October 13, 2017. The Board believed that the balance of power and authority under such arrangement would not be impaired and would continue to be adequately ensured by the current Board which comprises experienced and high caliber individuals with sufficient number thereof being independent non-executive directors.

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Shao Xiaofeng, being non-executive director of the Company, was not able to attend the annual general meeting of the Company held on September 7, 2018 due to his personal engagements during the meeting time.

MATERIAL CHANGES SINCE MARCH 31, 2018

Save for those disclosed in this announcement, there were no other material changes in the Group's financial position since the publication of the 2017/18 annual report of the Company.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Except that the trustee of the share award scheme of the Company (the "Share Award Scheme") purchased a total of 3,000,000 shares of the Company from the market to satisfy the awarded shares granted to connected employees of the Company upon vesting pursuant to the terms and rules of the Share Award Scheme, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the six months ended September 30, 2018.

SUBSEQUENT EVENTS

Save as disclosed in this announcement and as at the date of this announcement, no material events affecting the Group had occurred subsequent to September 30, 2018.

On behalf of the Board
Alibaba Pictures Group Limited
Fan Luyuan
Chairman & Chief Executive Officer

Hong Kong, November 8, 2018

As at the date of this announcement, the Board comprises Mr. Fan Luyuan, Mr. Yu Yongfu and Ms. Zhang Wei, being the executive directors; Mr. Shao Xiaofeng and Mr. Li Lian Jie, being the non- executive directors; and Ms. Song Lixin, Mr. Tong Xiaomeng and Mr. Johnny Chen, being the independent non-executive directors.