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, 2019

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, 2019 together with the comparative figures for the corresponding period in 2018. The unaudited condensed consolidated interim financial information for the six months ended September 30, 2019 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, 2019 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, 2019 (Unaudited) *RMB'000*	2018 (Unaudited) *RMB'000*
Revenue	4	**1,501,302**	1,532,252
Cost of sales and services		**(602,878)**	(738,579)
Gross profit		**898,424**	793,673
Selling and marketing expenses		**(658,253)**	(871,714)
Administrative expenses		**(474,976)**	(455,741)
(Impairment losses)/reversal of impairment losses on financial assets, net		**(119,930)**	24,016
Other income	5	**44,780**	4,809
Other (losses)/gains, net	6	**(25,901)**	81,475
Operating loss		**(335,856)**	(423,482)
Finance income	7	**115,898**	267,712
Finance expenses	7	**(21,204)**	(6,199)
Finance income, net		**94,694**	261,513
Share of (loss)/profit of investments accounted for using the equity method	10	**(49,343)**	15,554
Impairment of investments accounted for using the equity method	10	**(105,000)**	–
Loss before income tax		**(395,505)**	(146,415)
Income tax expense	8	**(792)**	(8,050)
Loss for the period		**(396,297)**	(154,465)
Attributable to:			
Owners of the Company		**(390,360)**	(125,545)
Non-controlling interests		**(5,937)**	(28,920)
Loss per share attributable to owners of the Company for the period *(expressed in RMB cents per share)*	9		
– Basic		**(1.48)**	(0.50)
– Diluted		**(1.48)**	(0.50)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended September 30,	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Loss for the period	**(396,297)**	(154,465)
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Currency translation differences	**71,468**	145,186
Other comprehensive income for the period, net of tax	**71,468**	145,186
Total comprehensive loss for the period	**(324,829)**	(9,279)
Attributable to:		
Owners of the Company	**(321,797)**	18,981
Non-controlling interests	**(3,032)**	(28,260)
Total comprehensive loss for the period	**(324,829)**	(9,279)

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**As at September 30, 2019 (Unaudited)** ***RMB'000***	As at March 31, 2019 (Audited) *RMB'000*
Assets			
Non-current assets			
Property, plant and equipment		**151,991**	200,956
Goodwill		**3,565,514**	3,586,047
Intangible assets		**155,261**	165,803
Right-of-use assets	3	**303,508**	–
Deferred income tax assets		**1,814**	419
Investments accounted for using the equity method	10	**2,280,073**	2,401,989
Bank deposits with the maturity over one year		**–**	50,000
Financial assets at fair value through profit or loss		**819,715**	1,954,542
Trade and other receivables, and prepayments	11	**722,584**	721,292
		8,000,460	9,081,048
Current assets			
Inventories		**660**	660
Film and TV rights and investments		**1,768,368**	1,325,468
Trade and other receivables, and prepayments	11	**2,542,352**	1,824,918
Current income tax recoverable		**7,889**	6,353
Financial assets at fair value through profit or loss		**297,411**	190,017
Cash and cash equivalents		**4,136,789**	3,341,470
Bank deposits with the maturity over three months		**75,942**	828,872
Restricted cash		**20,101**	18,977
		8,849,512	7,536,735
Total assets		**16,849,972**	16,617,783

	Note	As at September 30, 2019 (Unaudited) RMB'000	As at March 31, 2019 (Audited) RMB'000
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		**5,378,776**	5,377,988
Reserves		**9,203,420**	9,478,455
		14,582,196	14,856,443
Non-controlling interests		**92,720**	95,752
Total equity		**14,674,916**	14,952,195
Liabilities			
Non-current liabilities			
Borrowings	12	**747,150**	712,310
Lease liabilities		**284,116**	3,864
Deferred income tax liabilities		**38,722**	42,994
Trade and other payables, and accrued charges	13	**6,000**	6,000
		1,075,988	765,168
Current liabilities			
Borrowings	12	**7,500**	5,000
Trade and other payables, and accrued charges	13	**952,241**	832,457
Contract liabilities		**109,059**	54,528
Lease liabilities		**30,268**	8,435
		1,099,068	900,420
Total liabilities		**2,175,056**	1,665,588
Total equity and liabilities		**16,849,972**	16,617,783

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, 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, 2019, the Company is 50.65% 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 ("AGH").

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, 2019 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 year ended March 31, 2019, 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 year ended March 31, 2019, 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 as a result of adopting HKFRS 16 Leases.

The impact of the adoption of the leasing standard is disclosed in Note 3 below. The other standards did not have any material impact on the Group's accounting policies and did not require retrospective adjustments.

3 CHANGES IN ACCOUNTING POLICIES

The Group has adopted HKFRS 16 from April 1, 2019, but has not restated comparative amounts for the 2018 reporting period, as applied the simplified transition approach. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on April 1, 2019.

(a) Adjustments recognized on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at April 1, 2019, ranging from 3.88% to 5.68% per annum.

For leases previously classified as finance leases the entity recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date.

The reconciliation between the operating lease commitments disclosed as at March 31, 2019 and the lease liabilities recognized as at April 1, 2019 is as follows:

	2019
	RMB'000
Operating lease commitments disclosed as at March 31, 2019	**626,508**
Discounted using the lessee's incremental borrowing rate of at the date of initial application	**480,135**
Add: finance lease liabilities recognized as at March 31, 2019	**12,299**
(Less): short-term leases recognized on a straight-line basis as expense	**(9,433)**
(Less): low-value leases recognized on a straight-line basis as expense	**(392)**
(Less): contracts reassessed as service agreements	**(174,262)**
Lease liabilities recognised as at April 1, 2019	**308,347**
Of which are:	
Current lease liabilities	**17,529**
Non-current lease liabilities	**290,818**

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- reliance on previous assessments on whether leases are onerous,
- the accounting for operating leases with a remaining lease term of less than 12 months as at April 1, 2019 as short-term leases, and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying HKAS 17 and HKFRIC 4 *Determining whether an Arrangement contains a Lease*.

The right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that leases recognized in the balance sheet as at March 31, 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognized right-of-use assets relate to the following types of assets:

	Unaudited	
	September 30, 2019	April 1, 2019
	RMB'000	*RMB'000*
Properties	**285,454**	300,747
Equipment	**18,054**	20,852
	303,508	321,599

(b) The Group's leasing activities and how these are accounted for

The Group leases various properties and equipment. Rental contracts are typically made for fixed periods of 1 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the financial year ended March 31,2019, leases of property were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

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

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

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

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

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

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

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

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, 2019, 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, 2019 (Unaudited)			
	Internet-based promotion and distribution *RMB'000*	**Content production** *RMB'000*	**Integrated development** *RMB'000*	**Total** *RMB'000*
Segment revenue				
– recognized at a point in time	**712,772**	**204,604**	**110,908**	**1,028,284**
– recognized over time	**467,394**	**–**	**–**	**467,394**
	1,180,166	**204,604**	**110,908**	**1,495,678**
Income from film and TV investments	**–**	**–**	**5,624**	**5,624**
Total segment revenue	**1,180,166**	**204,604**	**116,532**	**1,501,302**

	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				
– recognized at a point in time	648,766	310,489	35,732	994,987
– recognized over time	523,588	–	–	523,588
	1,172,354	310,489	35,732	1,518,575
Income from film and TV investments	–	–	13,677	13,677
Total segment revenue	1,172,354	310,489	49,409	1,532,252

Segment revenue and results

	For the six months ended September 30, 2019 (Unaudited)			
	Internet-based promotion and distribution *RMB'000*	Content production *RMB'000*	Integrated development *RMB'000*	Total *RMB'000*
Segment revenue	**1,180,166**	**204,604**	**116,532**	**1,501,302**
Segment results	**250,698**	**(75,026)**	**72,254**	**247,926**
Unallocated selling and marketing expenses				**(7,755)**
Administrative expenses				**(474,976)**
Impairment losses on financial assets, net				**(119,930)**
Other income				**44,780**
Other losses, net				**(25,901)**
Finance income				**115,898**
Finance expenses				**(21,204)**
Share of loss of investments accounted for using the equity method				**(49,343)**
Impairment of investments accounted for using the equity method				**(105,000)**
Loss before income tax				**(395,505)**

	For the six months ended September 30, 2018 (Unaudited)			
	Internet-based promotion and distribution	Content production	Integrated development	Total
	RMB'000	*RMB'000*	*RMB'000*	*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				4,809
Other gains, net				81,475
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)

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,	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Investment income on loan receivable and receivable from convertible bonds	**28,965**	–
Local government grants	**13,182**	2,424
Sundry income	**2,633**	2,385
Total	**44,780**	4,809

6 OTHER (LOSSES)/GAINS, NET

	For the six months ended September 30,	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Change in fair value of convertible bonds	**(29,035)**	49,920
Gain on disposal of a subsidiary	**–**	16,914
Net gain/(loss) on disposal of property, plant and equipment	**167**	(2,997)
Change in fair value of investments in wealth management products	**5,762**	19,233
Others	**(2,795)**	(1,595)
Total	**(25,901)**	81,475

7 FINANCE INCOME, NET

	For the six months ended September 30,	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Finance income		
– Exchange gain, net	**82,350**	197,254
– Interest income on bank deposits	**33,548**	70,458
	115,898	267,712
Finance expenses		
– Interest expenses on bank borrowings	**(12,455)**	(5,653)
– Interest expenses on lease liabilities	**(8,749)**	(546)
	(21,204)	(6,199)
Finance income, net	**94,694**	261,513

8 INCOME TAX EXPENSE

	For the six months ended September 30,	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current income tax	**6,141**	9,068
Deferred income tax	**(5,349)**	(1,018)
	792	8,050

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% (The six months ended September 30, 2018: 25%) on the assessable income of each of the group companies, except 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,	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB cents	*RMB cents*
Basic and diluted loss per share	**(1.48)**	(0.50)

(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,	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Loss attributable to owners of the Company *(RMB'000)*	**(390,360)**	(125,545)
Weighted average number of ordinary shares in issue less shares held for share award scheme *(thousands)*	**26,367,531**	25,321,752

(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, 2019 and 2018, 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 earnings or loss per share.

The computation of diluted loss per share for the six months ended September 30, 2019 and 2018 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,	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
At April 1,	**2,401,989**	2,387,742
Additions	**9,490**	18,184
Share of (loss)/profit of investments *(Note a)*	**(49,343)**	15,554
Impairment *(Note b)*	**(105,000)**	–
Currency translation differences	**22,937**	38,532
At September 30,	**2,280,073**	2,460,012

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 those of the associates and joint ventures of the Group. The financial information of the Group's associates and joint ventures as at September 30, 2019 and 2018 are not available. As a result, the Group recorded 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, 2019 and 2018.

(b) The Group determines whether interests in the investments accounted for using the equity method are impaired by regularly reviewing whether there are any indications of impairment in accordance with relevant accounting standards.

During the six months ended September 30, 2019, as the trend of integration became increasingly pronounced for China's domestic film industry, changes in the industry's overall operating conditions and the market environment had resulted in a significant loss recorded for some of the Group's investments accounted for using the equity method. The management of the Company believed that there are indications of impairment for such investments.

When impairment indicators of the investments accounted for using the equity method were identified, the management determined the recoverable amounts, which is the higher of its fair value less costs of disposals and its value in use. When value in use calculations are undertaken, management estimates the present value of estimated future cash flows expected to arise from their businesses.

The recoverable amount was determined with reference to the value in use assessment result. The estimated cash flows used in the assessments are based on assumptions, such as pre-tax discount rate, long-term growth rate, estimated sales, gross margin and operating index such as receivable turnover rate, with reference to the business plans and prevailing market conditions.

Based on the assessment results, the Company recognized an impairment loss of RMB105,000,000 for the investments accounted for using the equity method of the Group for the six months ended September 30, 2019.

11 TRADE AND OTHER RECEIVABLES, AND PREPAYMENTS

	As at September 30, 2019 (Unaudited)			As at March 31, 2019 (Audited)		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables *(Note a)*						
– Related parties	**193,623**	**–**	**193,623**	240,522	–	240,522
– Third parties	**1,092,436**	**–**	**1,092,436**	990,243	–	990,243
Less: allowance for impairment of trade receivables	**(65,973)**	**–**	**(65,973)**	(32,583)	–	(32,583)
Trade receivables – net	**1,220,086**	**–**	**1,220,086**	1,198,182	–	1,198,182
Prepaid film deposits	**70,000**	**20,000**	**90,000**	70,000	20,000	90,000
Prepayment to related parties	**3,978**	**–**	**3,978**	3,044	–	3,044
Prepayment for investment in film and TV copyrights	**1,067**	**–**	**1,067**	–	–	–
Other prepayments	**21,570**	**–**	**21,570**	18,728	–	18,728
Other receivables arising from:						
– Receivables from related parties	**56,628**	**–**	**56,628**	71,595	–	71,595
– Loan receivable	**–**	**700,000**	**700,000**	–	700,000	700,000
– Receivable from convertible bonds *(Note b)*	**500,000**	**–**	**500,000**	–	–	–
– Receivables in relation to other film and TV investments	**237,848**	**–**	**237,848**	128,885	–	128,885
– Deductible VAT input	**84,562**	**–**	**84,562**	107,205	–	107,205
– Deposits receivables	**158,472**	**–**	**158,472**	86,814	–	86,814
– Refund receivable in relation to the restructuring of an associate	**38,883**	**–**	**38,883**	38,883	–	38,883
– Receivables in respect of reimbursement of distribution expenses	**67,962**	**–**	**67,962**	36,935	–	36,935
– Interest receivable	**26,936**	**–**	**26,936**	20,873	–	20,873
– Others	**93,895**	**2,584**	**96,479**	85,360	1,292	86,652
Less: allowance for impairment of prepayment and other receivables	**(39,535)**	**–**	**(39,535)**	(41,586)	–	(41,586)
Other receivables and prepayments – net	**1,322,266**	**722,584**	**2,044,850**	626,736	721,292	1,348,028
Total trade and other receivables, and prepayments	**2,542,352**	**722,584**	**3,264,936**	1,824,918	721,292	2,546,210

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

Notes:

(a) The normal credit period granted to the trade debtors of the Group generally ranges from 30 days to two years.

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, 2019 (Unaudited) *RMB'000*	As at March 31, 2019 (Audited) *RMB'000*
0 – 90 days	**346,096**	442,768
91 – 180 days	**257,946**	328,826
181 – 365 days	**373,474**	149,897
Over 365 days	**308,543**	309,274
	1,286,059	1,230,765

(b) As at June 15, 2019, the Company decided not to convert the convertible bonds into ordinary shares of Dadi Cinema (HK) Limited ("Dadi") and required Dadi to redeem all the convertible bonds outstanding at an amount which yields an internal rate of return of 5.50% per annum on the subscription amount paid by the Company (the "Redemption Price"). Dadi would redeem all the convertible bonds at the Redemption Price. The Company redesignated the convertible bonds to other receivables at the Redemption Price accordingly. In September 2019, the Company received the redeemed payments of the principal of RMB500,000,000 and all the remaining interest of RMB146,800,000. The remaining principal of RMB500,000,000 has been collected in October 2019.

12 BORROWINGS

	As at September 30, 2019 (Unaudited) *RMB'000*	As at March 31, 2019 (Audited) *RMB'000*
Unsecured		
Current	**7,500**	5,000
Non-current	**747,150**	712,310
	754,650	717,310

As at September 30, 2019 and March 31, 2019, the Group's bank borrowings are denominated in the following currencies:

	As at September 30, 2019 (Unaudited) *RMB'000*	As at March 31, 2019 (Audited) *RMB'000*
RMB-denominated	**42,500**	45,000
USD-denominated *(Note a)*	**712,150**	672,310
	754,650	717,310

Movements in borrowings are analysed as follows:

	For the six months ended September 30, 2019		
	Current (Unaudited) ***RMB'000***	**Non-current (Unaudited)** ***RMB'000***	**Total (Unaudited)** ***RMB'000***
Opening amount as at April 1	**5,000**	**712,310**	**717,310**
Reclassification from non-current to current borrowings	**5,000**	**(5,000)**	**–**
Repayments of bank borrowings	**(2,500)**	**–**	**(2,500)**
Effect of changes in exchange rate	**–**	**39,840**	**39,840**
Closing amount as at September 30	**7,500**	**747,150**	**754,650**

Notes:

(a) As at September 30, 2019, a wholly-owned subsidiary of the Company has USD-denominated long-term borrowings of USD100,000,000, which bear an interest of 3.75% per annum and has a maturity of four years. The Company has provided a corporate guarantee to the relevant bank in relation to the borrowings.

The Group has complied with the financial covenants as stipulated in the loan agreement during the six months ended September 30, 2019.

(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, 2019 (Unaudited)			As at March 31, 2019 (Audited)		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables *(Note)*						
– Related parties	**77,975**	**–**	**77,975**	63,553	–	63,553
– Third parties	**204,766**	**–**	**204,766**	93,778	–	93,778
	282,741	**–**	**282,741**	157,331	–	157,331
Other payables and accrued charges						
Amounts due to related parties	**93,549**	**–**	**93,549**	102,857	–	102,857
Payables in relation to distribution of films	**220,766**	**–**	**220,766**	115,599	–	115,599
Payables in relation to film and TV investments	**–**	**–**	**–**	86,920	–	86,920
Accrued marketing expenses	**89,189**	**–**	**89,189**	79,431	–	79,431
Payroll and welfare payable	**65,633**	**–**	**65,633**	75,256	–	75,256
Other tax payable	**45,825**	**–**	**45,825**	59,555	–	59,555
Payables in relation to rental and property management fees	**4,415**	**–**	**4,415**	43,961	–	43,961
Professional fees payable	**11,626**	**–**	**11,626**	16,019	–	16,019
Deposit from customers	**19,780**	**–**	**19,780**	15,198	–	15,198
Amounts received on behalf of cinemas	**773**	**–**	**773**	7,996	–	7,996
Consideration payable for acquisition of a subsidiary	**4,000**	**6,000**	**10,000**	4,000	6,000	10,000
Amounts received on behalf of cinema ticketing system providers	**35,135**	**–**	**35,135**	3,702	–	3,702
Interest payable	**3,726**	**–**	**3,726**	3,671	–	3,671
Others	**75,083**	**–**	**75,083**	60,961	–	60,961
	669,500	**6,000**	**675,500**	675,126	6,000	681,126
Total trade and other payables, and accrued charges	**952,241**	**6,000**	**958,241**	832,457	6,000	838,457

The carrying amounts of trade and other payables are considered to be the same as their fair value, due to their short-term or interest-bearing nature.

Note:

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

	As at September 30, 2019 (Unaudited) *RMB'000*	As at March 31, 2019 (Audited) *RMB'000*
0 – 90 days	**233,723**	116,196
91 – 180 days	**1,229**	25,000
181 – 365 days	**35,234**	1,789
Over 365 days	**12,555**	14,346
	282,741	157,331

14 DIVIDENDS

The Board of Directors of the Company has resolved not to declare an interim dividend for the six months ended September 30, 2019 (For the six months ended September 30, 2018: nil).

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended September 30, 2019 (For the six months ended September 30, 2018: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In the first half of 2019/20 financial year, the Group was confronted with many challenges arising from changes in the overall operating conditions of the industry and the market environment. During the six months ended September 30, 2019 (the "Reporting Period"), the Group's business grew steadily with a further improvement in operating profit. During the Reporting Period, the Group recorded revenue of RMB1,501 million, compared with RMB1,532 million for the six months ended September 30, 2018 (the "Previous Period"), representing a decrease of 2% year-over-year. Operating loss narrowed from RMB423 million in the Previous Period to RMB336 million for the Reporting Period, representing a reduction of 21% year-over-year. Due to the allowance for impairment of equity investments and the effect of a sharp decrease in exchange gain, net loss attributable to owners of the Company rose from RMB126 million in the Previous Period to RMB390 million for the Reporting Period, representing an increase of 210% year-over-year.

To supplement the Group's consolidated statement of profit or loss presented in accordance with HKFRSs, the Group has also presented its adjusted losses before interest, taxes and amortization (adjusted EBITA), which is not required under HKFRSs, as an additional financial indicator. We are of the view that presenting the adjusted EBITA together with the relevant HKFRSs indicator will help investors exclude the potential impact of items which our management considers as not indicative of our operational performance. We believe that the adjusted EBITA provides investors and other individuals with helpful information. However, the adjusted EBITA indicator presented by the management may not be comparable with similar indicators presented by other companies. In addition, the definition of such financial indicator may vary from those applied by other companies for similar indicators. The adjusted EBITA recorded a loss of RMB276 million during the Reporting Period, narrowing by RMB213 million or 44% as compared to a loss of RMB489 million for the Previous Period.

The adjusted EBITAs for each of the Reporting Period and the Previous Period are summarized in the tables below:

	For the six months ended September 30, 2019 *RMB'000* **(Unaudited)**	For the six months ended September 30, 2018 *RMB'000* (Unaudited)
Operating loss	**(335,856)**	(423,482)
Add:		
Share-based compensation	**46,642**	13,923
Allowance for impairment of goodwill arising on business combinations	**20,533**	–
Amortization of intangible assets arising on business combinations	**11,845**	6,903
Other losses, net	**25,901**	–
Less:		
Other income	**(44,780)**	(4,809)
Other gains, net	**–**	(81,475)
The adjusted EBITA	**(275,715)**	(488,940)

	Segment revenue For the six months ended September 30,		**Segment results For the six months ended September 30,**	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Internet-based promotion and distribution	**1,180,166**	1,172,354	**250,698**	63,813
Content production	**204,604**	310,489	**(75,026)**	(164,433)
Integrated development	**116,532**	49,409	**72,254**	27,989
Total	**1,501,302**	1,532,252	**247,926**	(72,631)

Note: Segment results = revenue - cost of sales and services - allocated selling and marketing expenses

BUSINESS REVIEW

INTERNET-BASED PROMOTION AND DISTRIBUTION

In terms of revenue, internet-based promotion and distribution is currently the Group's most important segment. Its main operations consist of internet-based ticketing and internet-based promotion and distribution. While internet-based ticketing comprises Tao Piao Piao and Yunzhi, internet-based promotion and distribution comprises Beacon, film promotion and distribution, and film content investment.

Not only is Tao Piao Piao the Group's key platform through which it provides ticketing services to cinemas, it is also a ticketing and review platform that targets common consumers. As a foothold for the Group's endeavor in digital promotion and distribution, Tao Piao Piao fully utilizes its advantages in platform-based resources. It works with Youku's movie channel to boost the publicity and media exposure of a film prior to and during its screening as well as to extend the circulation of reviews and comments made on a film. As a result, the Tao Piao Piao × Youku mode has become one of the largest joint ticketing and review platforms in the PRC, securing its position as a preferred partner for promotion and distribution among domestic and international film producers.

After becoming a consolidated subsidiary of AGH since March 5, 2019, the Group has made itself one of the most sizeable and indicative platforms for promotion, distribution, ticketing and review in the PRC through its further collaboration with the M&E Matrix of AGH. By integrating their membership systems, Tao Piao Piao and Youku now share over 40 million members registered for film-related activities. By offering membership benefits and operating in a more interactive way, the two platforms aim not only to enhance their user value, but also to boost viewing frequency and drive the growth of domestic film industry. In addition to the integration of membership systems, decision-making data of multiple dimensions, including "Interested/Book", Rating and Comment, were also connected. During the Reporting Period, Tao Piao Piao ranked first among its domestic peers in terms of both trailer views (prior to and during film screening) and post-screening reviews. For the 10 highest grossing domestic films, the number of "Interested/Book" selections at Tao Piao Piao grew by 142% year-over-year to 20 million; while trailer plays on the two platforms reached 210 million, 18 times the figure recorded in the Previous Period. Tao Piao Piao has also outperformed its peers with outstanding user decision-making data.

As our one-stop promotion and distribution platform, Beacon, since April 2018 when it was launched, has been focusing on omni-process digitalization for promotion and distribution, effective placement, low cost and customer value with quantifiable target effect, while actively exploring industry rules and continuously improving the efficiency in film promotion and distribution. During the Reporting Period, Beacon served 60% of the films shown at domestic cinemas and its serviced film projects grew by 7 times year-over-year. Up to date, Beacon has serviced over 300 films from more than 400 resident producers, with box office in partnership exceeding RMB50 billion. It covers over 1 million advertising channels and provides access to over 810,000 new media accounts, boasting a capacity to reach over 750 million users on a daily basis. Beacon has become a premium brand for industry data services. Building on users' decision-making processes, Beacon has shaped its film marketing methodology and set up three product modules: Beacon Research, Beacon promotion and distribution platform and Beacon Professional.

Beacon Research is committed to building up a content assessment system. During the Reporting Period, it provided data services such as test screening, popularity monitoring and placement tests of promotion and distribution materials for 70 films, including *Capernaum* (何以為家), *The Legend of Luoxiaohei* (羅小黑戰記) and *The Captain* (中國機長), and it assisted producers in content optimization, resource allocation and risk control. Beacon promotion and distribution platform is the first integrated digital platform for promotional, distribution and marketing activities in the industry, with serviced films adding up to more than 300. The platform provides producers with customized solutions, including real-time user feedback and accurate placement of promotion and distribution materials. By leveraging on the advantages of the Alibaba ecosystem, it is also exploring innovative film marketing models, improving the efficiency in film promotion and distribution and expanding channels for promotion and distribution, enabling producers to save promotion and distribution cost. In addition, Beacon Professional performs as a real-time billboard for data of the pan-entertainment industry, covering productions such as films, drama series and variety shows. As an industry leader offering a complete range of infrastructure for the cultural and entertainment categories, it focuses on data inquiry function (updated every second) and customized data analysis service.

The Group analyzes its users' viewing habits, together with the reviews and ratings that they give based on its accumulated advantage in big data. Relying on its insight into the classification of audience for film and TV productions and their preferences, the Group actively seeks and participates in the production of quality films. Adhering to values about ordinary people performing heroic deeds that come with major emotional appeal while promoting positive values, the Group introduced a Lebanese literary film titled *Capernaum* (何以為家). By utilizing the combined advantages of Tao Piao Piao and Beacon, as well as the combination of products such as test screening and user analysis, a scientific decision was made in respect of the film's promotion and distribution, with a view to introducing this highly-acclaimed film to more audience. The film *Capernaum* (何以為家) became a big surprise hit at the box-office of the 2019 May Day holiday, recording over RMB300 million in the Mainland China market. In August 2019, *The Bravest* (烈火英雄), of which the Group was the lead producer, recorded box office of over RMB1,690 million, coming in second at the box-office of the 2019 summer school holidays. Focusing on everyday heroes, this film demonstrated the responsibility and valuable devotion of the cultural and entertainment industry to the public. In addition to successfully producing and distributing hit title contents, the Group has also become a quality online marketing platform for foreign films, having successively distributed several Oscar winning or nominated films, including *Green Book* (綠皮書), *Bohemian Rhapsody* (波西米亞狂想曲), *Free Solo* (徒手攀岩) and *The Legend of 1900* (海上鋼琴師).

During the Reporting Period, the Group's internet-based promotion and distribution business segment recorded revenue of RMB1,180 million, similar to that of RMB1,172 million for the corresponding period of last year. During the Reporting Period, we had witnessed a growing trend of consolidation in product chains of PRC films for our internet-based promotion and distribution business, which still contributed nearly 80% of revenue to the Group amid sluggish overall business environment of the industry and market conditions, making it the Group's most important revenue stream. For comparison purposes, major indicators of financial results of the internet-based promotion and distribution business for the Reporting Period and the Previous Period are summarized in the table below:

	Segment revenue For the six months ended September 30,		**Segment margin For the six months ended September 30,**	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Ticketing services	**513,607**	504,641	**433,642**	418,893
System provider services for Yunzhi	**168,149**	168,174	**166,441**	165,548
Content promotion and distribution services and co-invested operation	**459,284**	434,365	**265,297**	329,779
Others	**39,126**	65,174	**34,433**	16,929
Total	**1,180,166**	1,172,354	**899,813**	931,149

During the Reporting Period, the overall film box office in the PRC increased slightly by 2% as compared with the Previous Period. Due to the rise in average settlement price, the overall film attendance declined slightly by 2%. Nonetheless, with the further consolidation of market share captured by Tao Piao Piao, the Group's ticketing services recorded revenue of RMB514 million in the Reporting Period, up by 2% as compared with RMB505 million in the Previous Period. Yunzhi, our open platform for digital operation and management of cinemas, together with another cinema ticketing system, continued to rank first among peers in terms of the number of contracted cinemas (nearly 3,500), recording revenue of RMB168 million, remaining largely stable as compared with the Previous Period.

Revenue from content promotion and distribution services and co-invested operation covers operations related to film promotion and distribution, content investment and Beacon, which recorded revenue of RMB459 million during the Reporting Period, increasing by 6% as compared with RMB434 million in the Previous Period. During the Reporting Period, the Group did not produce/distribute hit title films similar in size to those in the Previous Period, as a result, the box office from production/distribution business was lower than that in the Previous Period, and the gross margin from promotion and distribution services and co-invested operation decreased by 20%. Other operations include advertising and other commercial services, which recorded an increase of 103% in gross margin as compared with the Previous Period, mainly attributable to adjustment and optimization of product structure.

CONTENT PRODUCTION

As a member of the M&E Matrix of AGH, to promote synergy within the M&E Matrix and the greater Alibaba ecosystem, the Group is creating quality self-produced drama series. In July 2019, *Love Better Than Immortality* (天雷一部之春花秋月), one of the Group's historical romance drama series, stayed among the Top 3 on Youku for 47 consecutive days, outperforming peers in that summer season as a black horse. Furthermore, multiple quality drama series covering a wide-range of themes and user groups are ready to be released, such as the contemporary crime drama *Lin Sir's Happy Life* (民警老林的幸福生活), the industry-specific drama *Hello Prosecutor* (你好檢察官), which featured the emotional aspect of urban life, and the youth drama *Hello, Yesterday* (你好，昨天). Up to date, the Group has completed or almost completed over 10 of such drama series.

In terms of financial results, the Group's content production business segment recorded revenue of RMB205 million during the Reporting Period, as compared with RMB310 million for the corresponding period of last year, mainly because the Group did not deliver in the Reporting Period, any project of a similar size to *Legend of the Ancient Sword 2* (古劍奇譚2) – a drama series delivered in the corresponding period of last year, in relation to which revenue of approximately RMB200 million was recognized. The Group recorded a segment loss of RMB75 million during the Reporting Period, compared with a loss of RMB164 million during the Previous Period. The loss narrowed significantly by 54% year-over-year.

INTEGRATED DEVELOPMENT

The development of merchandise that centers on intellectual properties (IPs) represents one of the key segments within the Group's strategy. It is an industry-wide consensus in the PRC film industry that IP merchandising is driven by common needs, it is a field with tremendous potential that should be explored on an expedited basis. During the Reporting Period, the integrated development business continued to maintain rapid growth, with revenue still growing at triple digits.

Building on the economic fundamentals of its large fan base in the PRC, the Group's Alifish has transformed into 2 key sub-segments, namely IP licensing business and entertainment e-commerce, connecting and integrating the two major industries of entertainment and e-commerce respectively. Its financial performance has achieved growth of over 100% as compared with the Previous Period, while its industry influence and reputation have been strengthened continuously.

The IP licensing business segment of Alifish has made satisfactory progress, having accumulated a wide range of IPs. It serves and operates IPs that cover various types, including film and TV, variety, animation and games. Meanwhile, benefiting from its synergy with the M&E Matrix and linkage with AGH's ecosystem of e-commerce, Alifish successfully translated short-term content IPs into sales of licensed merchandise, empowering IP parties and merchants. During the Reporting Period, Alifish achieved an average revenue per IP of RMB1.65 million through IP monetization, representing an increase of 50% year-over-year. The efficiency of IP monetization has been increased significantly. In particular, in terms of licensing business, the IPs within the ecosystem, including *Uglydolls* (醜娃娃), *The Captain* (中國機長), *The Longest Day in Chang'an* (長安十二時辰) and *Street Dance of China S2* (這!就是街舞2), made a breakthrough from single monetization model and extended gradually from merchandise licensing to other models, such as marketing licensing, offline experience station and collaboration between culture and education. The Alifish IP licensing business has received industry-wide recognition; in October 2019, at the Chinese Licensing Exposition, it helped partners jointly win the awards including the Excellence Award for IP of Choice (*Pokémon*), the Best Movie Award for Licensed IP (*The Story of Ming Lan* (知否知否應是綠肥紅瘦)), the Best Newcomer Award for Licensing, the Best Innovation Award for Licensed Product Design and the Best Licensee - Apparel and Accessories, etc.

In respect of the entertainment e-commerce sub-segment, the integration of IPs and marketing activities simultaneously initiated strong growths in users and gross merchandise value (GMV). Alifish serves multiple fashion trend merchants, such as Pop Mart flagship store, hottoys flagship store, Blizzard flagship store; during the Reporting Period, there were 387 merchants under Tmall fashion trend categories, representing an increase of over 300% year-over-year, while GMV rose by approximately 59% year-over-year. Alifish is widely accredited among resident merchants and younger consumer base for its operating and fans strategy.

In addition, Alifish's 2C2B crowdfunding platform "izhongchou" is actively exploring the C2M (Customer-to-Manufacturer) model, aiming at quick monetization of hot IPs and developing new channels for merchants to market new products. The crowdfunding platform, since its launch in early July 2019, has recorded an increase in daily active users of almost 400% and completed 5 crowdfunding projects of RMB10 million level and 33 projects of RMB1 million level. Alifish's crowdfunding platform minimizes the risk from IP licensing to develop new products and facilitates the development of PRC licensing industry as a whole.

The Group's integrated development business segment also consists of Yulebao – an investment platform for film, TV and entertainment projects. In order to address inhibitions such as capital shortage and long payback period in the film and television industry, Yulebao optimized relevant processes for box office payback, managing to shorten the time required for settlement from the conventional cycle of between three and twelve months to less than ten days. This has enhanced capital turnover within the film industry, while creating a settlement platform for film distributors and investors to gain equal and fast access to their shares of film box office receipts. In addition, Yulebao has successfully established a credit rating system applicable to the film and television industry based on industrial credit statistics accumulated through big-data technology, which is now the financial infrastructure for the film and television industry in the PRC.

Moreover, Yunshang, a production management system designed for film and TV production, was officially launched in the market during the Reporting Period after a development phase that lasted for over a year, and it was offered to nearly 40 film crews from various producers. Through this system, producers have completed the digitalization of production progress, budget and crew management. Not only is this a never-seen-before accomplishment in the industry, it is also a true testimony to the Group's commitment to "making it easy to do business anywhere".

During the Reporting Period, the integrated development business maintained rapid growths in revenue and operating result, recording a 136% increase in revenue to RMB117 million, while its operating profit grew by 158% year-over-year to RMB72 million.

PROSPECTS

Since the beginning of the financial year, the Group has built up a complete infrastructure chain with ready setups. Going forward, the Group will continue to promote its dual-drive core strategy featuring quality content and new infrastructure, with a focus on creating contents about ordinary people performing heroic deeds that come with major emotional appeal while promoting positive values. Meanwhile, by continuously leveraging on advantages of the AGH ecosystem, the Group will be able to realize economic benefits of ecological synergy, and create greater value for shareholders. Going forward, the Group will continue:

1. to drive promotion and distribution through investment in films while maintaining its substantial involvement in the production and distribution of domestic and foreign hit title films, and to become the largest company for film promotion and distribution in the PRC by building on the strengths in promotion and distribution of Tao Piao Piao, Beacon and Youku;

2. to improve its sensitivity to audience preferences through the M&E Matrix, providing the M&E Matrix platform with quality self-produced drama series; and

3. to stay substantially involved in building infrastructure for the cultural and entertainment industry, with a view to driving Tao Piao Piao and Yunzhi to further increase their market shares; helping Alifish maintain its rapid growth; while enabling Beacon and relevant production software to further expand their coverage; empowering its peers, aiming to become the dominant industry leader.

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 conditions arise.

FINANCIAL REVIEW

Revenue and Profit for the Period

During the Reporting Period, the Group recorded revenue of RMB1,501 million, representing a decrease of 2% year-over-year. Adjusted losses before interest, taxes and amortization narrowed from RMB489 million in the Previous Period to RMB276 million, representing a decrease in loss of 213 million or 44%. Comparing the two periods, operating revenue tended to be stablized. As the allowance for impairment of investments and the exchange gain recognized in the period were less than those in the Previous Period, net loss attributable to owners of the Company widened from RMB126 million in the Previous Period to RMB390 million for the Reporting Period, representing an increase of RMB264 million year-over-year.

For the six months ended September 30, 2019, loss per share (basic and diluted) for the Group increased from RMB0.50 cents per share for the corresponding period of last year to RMB1.48 cents.

Selling, Marketing and Administrative Expenses

During the Reporting Period, selling and marketing expenses amounted to RMB658 million, representing a year-over-year decrease of 25% when compared with approximately RMB872 million in the Previous Period. The decrease was primarily attributable to lowered customer acquisition costs driven by higher overall operating efficiency. Administrative expenses in the Reporting Period grew from RMB456 million to RMB475 million, mainly due to the allowance for impairment of goodwill made by the management on a prudent basis.

Finance Income

During the Reporting Period, the Group recorded net finance income of RMB95 million, which included exchange gain of RMB82 million. As the Group's cash reserves are held in multiple currencies, the exchange gain resulted mainly from the depreciation of RMB against USD in the Reporting Period.

Material Investments

As at September 30, 2019, the Group held 14 investments in joint ventures/associates, all of which were accounted for using the equity method, and combined for a total book value of approximately RMB2,280 million. The Group held 12 investments in unlisted companies, all of which were accounted for as financial assets at fair value through profit or loss, and combined for a total book value of approximately RMB820 million. During the Reporting Period, the Group recorded a loss and impairment of RMB154 million from its investments that were accounted for using the equity method. The Group adopted a conservative strategy in managing its investment portfolio during the Reporting Period.

The Group's major investment was an investment in associate in relation to Bona Film Group Limited ("Bona Film"), which accounted for 7.72% of the interest in Bona Film. Bona Film is primarily engaged in film production and distribution. As at September 30, 2019, the carrying amount of the Group's long-term equity investment in Bona Film was RMB970 million; for the six months ended September 30, 2019, the Group's investment in Bona Film did not incur any significant loss, and the management of the Company does not expect any significant adverse change to such investment for the second half of this financial year.

Financial Resources and Liquidity

As at September 30, 2019, the Group had cash and cash equivalents and bank deposits of approximately RMB4,233 million in multiple currencies. The Group held financial assets at fair value through profit or loss of approximately RMB297 million, which mainly consisted of investments in wealth management products issued by major banks in the PRC with expected return ranging from 1.76% to 4.25% per annum and redeemable within one year. The Group recognized an investment income of approximately RMB6 million from financial assets at fair value through 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, 2019, the Group had long-term borrowings of RMB42.5 million, which bore 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 bore 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, 2019, the Group was in a net cash position and its gearing ratio (being net borrowings over total equity) was nil (March 31, 2019: nil). The Group actively and regularly reviews and manages its capital structure to maintain a balance between shareholder return and sound capital position. The Group continually makes adjustments, when necessary, to maintain an optimal capital structure and to reduce the cost of capital.

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 still require foreign currencies. The Group will continue to monitor its capital needs closely and manage foreign exchange risks accordingly. The Group has not used any currency hedging instruments, but it aims to ensure that its exposure to exchange rate fluctuation is managed in a cost-effective manner through ongoing assessment.

Charge on Assets

As at September 30, 2019, the Group did not have any charge on assets (March 31, 2019: nil).

Contingent Liabilities

As at September 30, 2019, the Group did not have any material contingent liabilities (March 31, 2019: nil).

Employees and Remuneration Policies

As at September 30, 2019, the Group, including its subsidiaries but excluding its associates, had 1,161 (March 31, 2019: 1,184) employees. The total employee benefit expenses of the Group were RMB301 million in the Reporting Period. The remuneration policies of the Group are determined based on prevailing market levels and performance of the respective group companies and individual employees. These policies are reviewed on a regular basis. In addition to salary, the Group also offers to its employees other fringe benefits, including year-end bonus, discretionary bonus, share options to be granted under the Company's share option scheme, awarded shares to be granted under the Company's share award scheme (the "Share Award Scheme"), contributory provident fund, social security fund, medical benefits and training.

CORPORATE GOVERNANCE

During the six months ended September 30, 2019, 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 Listing Rules 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. Mr. Fan Luyuan, appointed as the chief executive officer of the Company on August 2, 2017, has also acted as chairman of the Board since October 13, 2017. The Board considers that vesting the roles of both chairman and chief executive officer in the same person will facilitate the development and execution of the Group's business strategies, which will help the Company overcome market challenges and create more value for the shareholders of the Company. The Board believes 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 to gain and develop a balanced understanding of the views of shareholders. Ms. Zhang Yu, non-executive director of the Company, and Mr. Tong Xiaomeng, independent non-executive director of the Company, were not able to attend the annual general meeting and the special general meeting of the Company both held on September 19, 2019 due to conflicts of their respective prior scheduled engagements with the meeting time.

Code provision C.1.2 stipulates that management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. The Company from time to time, based on business needs and conditions, provides to the Board up-to-date business information and convenes ad hoc meetings for considering material business or management issues, so as to enable the directors and the Board as a whole to discharge their duties.

MATERIAL CHANGES SINCE MARCH 31, 2019

Save for those disclosed in this announcement, there were no other material changes in the Group's financial position since the publication of the 2018/19 annual report of the Company.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Except that the trustee of the Share Award Scheme purchased a total of 2,300,000 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, 2019.

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, 2019.

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

Hong Kong, November 27, 2019

As at the date of this announcement, the Board comprises Mr. Fan Luyuan and Mr. Meng Jun, being the executive directors; Ms. Zhang Yu and Mr. Chang Yang, being the non-executive directors; and Ms. Song Lixin, Mr. Tong Xiaomeng and Mr. Johnny Chen, being the independent non-executive directors.