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 JUNE 30, 2016

The board of directors (the "Board") of Alibaba Pictures Group Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group" or "Alibaba Pictures Group") for the six months ended June 30, 2016 together with the comparative figures for the corresponding period in 2015. The unaudited condensed consolidated interim financial information for the six months ended June 30, 2016 has been reviewed by the audit committee of the Company (the "Audit Committee"). PricewaterhouseCoopers, the Company's auditor, has conducted its review on the unaudited condensed consolidated interim financial information for the six months ended June 30, 2016 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 ("HKICPA"), on which they have expressed an unmodified review conclusion.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Unaudited For the six months ended June 30, 2016 *RMB'000*	2015 *RMB'000*
Continuing operations			
Revenue	4	**257,257**	22,938
Cost of sales and services		**(179,952)**	(72,925)
Gross profit/(loss)		**77,305**	(49,987)
Selling and marketing expenses		**(523,708)**	(26,441)
Administrative expenses		**(278,310)**	(129,100)
Other income		**17,828**	2,595
Other gains/(losses), net		**32,116**	(3,909)
Operating loss		**(674,769)**	(206,842)
Finance income	5	**240,522**	65,283
Finance expenses	5	**(6,094)**	(2,604)
Finance income, net		**234,428**	62,679
Share of (loss)/profit of investments accounted for using the equity method		**(122)**	20
Loss before income tax		**(440,463)**	(144,143)
Income tax expense	6	**(25,244)**	(3,059)
Loss for the period from continuing operations		**(465,707)**	(147,202)
Discontinued operations			
Loss for the period from discontinued operations		**–**	(4,593)
Loss for the period		**(465,707)**	(151,795)

	Note	Unaudited For the six months ended June 30, 2016 RMB'000	2015 RMB'000
Loss attributable to:			
Owners of the Company		**(465,869)**	(151,819)
Non-controlling interests		**162**	24
Loss attributable to owners of the Company:			
Continuing operations		**(465,869)**	(147,226)
Discontinued operations		**–**	(4,593)
Loss per share from continuing and discontinued operations attributable to owners of the Company for the period *(expressed in RMB cents per share)*	7		
Basic loss per share			
From continuing operations		**(1.85)**	(0.68)
From discontinued operations		**–**	(0.02)
		(1.85)	(0.70)
Diluted loss per share			
From continuing operations		**(1.85)**	(0.68)
From discontinued operations		**–**	(0.02)
		(1.85)	(0.70)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited For the six months ended June 30,	
	2016	2015
	RMB'000	*RMB'000*
Loss for the period	**(465,707)**	(151,795)
Other comprehensive income/(loss):		
Item that may be reclassified to profit or loss		
Currency translation differences	**4,695**	(36)
Fair value gains on available-for-sale financial assets, net of tax	**3,802**	1,332
Other comprehensive income for the period, net of tax	**8,497**	1,296
Total comprehensive loss for the period	**(457,210)**	(150,499)
Attributable to:		
Owners of the Company	**(457,372)**	(150,523)
Non-controlling interests	**162**	24
Total comprehensive loss for the period	**(457,210)**	(150,499)
Total comprehensive loss attributable to owners of the Company arises from:		
Continuing operations	**(457,372)**	(145,930)
Discontinued operations	**–**	(4,593)
	(457,372)	(150,523)

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited June 30, 2016** *RMB'000*	Audited December 31, 2015 *RMB'000*
Assets			
Non-current assets			
Property, plant and equipment		**81,120**	57,136
Goodwill		**3,490,574**	3,490,574
Intangible assets		**184,245**	191,331
Financial assets at fair value through profit or loss	10	**1,000,000**	–
Investments accounted for using the equity method		**29,380**	19,081
Deferred income tax assets		**975**	18,310
Trade and other receivables, and prepayments	9	**720,029**	122,928
		5,506,323	3,899,360
Current assets			
Inventories		**372**	306
Film and TV copyrights		**696,881**	383,761
Trade and other receivables, and prepayments	9	**1,310,149**	789,113
Available-for-sale financial assets		**1,044,775**	1,102,006
Cash and cash equivalents		**2,919,245**	3,677,988
Bank deposits with the maturity over three months		**5,411,597**	7,089,781
Restricted cash		**2,023,431**	2,021,328
		13,406,450	15,064,283
Assets held-for-sale		**9,116**	12,218
		13,415,566	15,076,501
Total assets		**18,921,889**	18,975,861
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		**5,081,884**	5,081,884
Reserves		**10,738,098**	11,113,927
		15,819,982	16,195,811
Non-controlling interests		**(2,069)**	(2,231)
Total equity		**15,817,913**	16,193,580

	Note	Unaudited June 30, 2016 RMB'000	Audited December 31, 2015 RMB'000
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		**48,406**	48,965
		48,406	48,965
Current liabilities			
Trade and other payables, and accrued charges	11	**1,049,895**	670,666
Borrowings		**1,980,000**	1,980,000
Derivative financial liability		**–**	33,000
Current income tax liabilities		**25,675**	49,650
		3,055,570	2,733,316
Total liabilities		**3,103,976**	2,782,281
Total equity and liabilities		**18,921,889**	18,975,861

1 GENERAL INFORMATION

Alibaba Pictures Group Limited (the "Company") and its subsidiaries (together, the "Group") operate an internet-powered integrated platform which includes financing and investment, entertainment content production, promotion and distribution, fan-based social economics, and cinema service provision.

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 June 30, 2016, the Company is 49.49% 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.

Key Events

On May 13, 2016, the Group entered into an agreement in relation to the investment in Bona Film Group Co., Ltd. ("BONA Beijing", a company incorporated in Beijing, the PRC). Further details are given in Note 9(b).

On May 15, 2016, the Group entered into an agreement with certain investors in relation to the capital injection of an indirect wholly-owned subsidiary of the Company, which operates the online movie ticketing business. Further details are given in Note 11(b).

On June 15, 2016, the Group completed the subscription of convertible bonds issued by Dadi Cinema (HK) Limited ("Dadi"), a subsidiary of Nan Hai Corporation Limited (whose shares are listed on the HK Stock Exchange) for an aggregate principal amount of RMB1,000,000,000. Further details are given in Note 10.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended June 30, 2016 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 December 31, 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants.

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2015, as described in those annual financial statements except for the adoption of amendments to HKFRSs effective for the financial year ending December 31, 2016.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) Amendments to standards effective for annual periods beginning on or after January 1, 2016

Amendments to HKAS 16 and HKAS 38 "Clarification of acceptable methods of depreciation and amortization" clarify when a method of depreciation or amortization based on revenue may be appropriate.

The amendment to HKAS 38 establishes a rebuttable presumption that amortization of an intangible asset based on revenue generated by using the asset is inappropriate. The presumption may only be rebutted in certain limited circumstances:

- where the intangible asset is expressed as a measure of revenue; or
- where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

The adoption of the above amendments and other amendments effective for the financial year ended December 31, 2016 do not have material impact on the Group.

(b) Impact of standards issued but not yet applied by the Group

(i) HKFRS 9 Financial instruments

HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard does not need to be applied until January 1, 2018 but is available for early adoption. The Group is currently assessing the effects of applying the new standard on the Group's financial statements.

(ii) HKFRS 15 Revenue from contracts with customers

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after January 1, 2018, and will allow early adoption. The Group is currently assessing the effects of applying the new standard on the Group's financial statements.

(c) Financial assets designated as at fair value through profit or loss

During the period, the Group invested in convertible bonds, which contained embedded derivatives (Note 10) and are designated as financial assets at fair value through profit or loss. The accounting policies adopted by the Group on financial assets designated as at fair value through profit or loss were as follows:

Financial assets are designated as at fair value through profit or loss upon initial recognition when:

– the financial assets are managed, evaluated and reported internally on a fair value basis; and
– the designation eliminates or significantly reduces the discrepancies in the recognition or measurement of relevant gains or losses arising from the different basis of measurement of the financial assets.

If the financial assets contain one or more embedded derivatives, they are designated as at fair value through profit or loss unless:

– the embedded derivatives does not significantly modify the cash flows that would otherwise be required under the contract; or
– it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivatives is prohibited.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, without any deduction for transaction costs that may occur on sale, and changes therein are recognized in profit or loss.

4 SEGMENT INFORMATION

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

The Board of Directors considers the business from perspective of types of goods or services delivered or provided. During this interim period, the Group's operating and reportable segments for continuing operations are as follows:

- Content production: the production of entertainment content such as film and TV dramas.
- Internet-based promotion and distribution: the operation of an integrated O2O platform for the promotion and distribution of entertainment content. The provision of online movie ticketing service for consumers and ticket issuance system for cinema.
- Entertainment e-commerce: the operation of a C2B financing platform for entertainment content. The development and online sales of entertainment related merchandise.
- International operations: the commercial involvement in international entertainment related projects or businesses.

Segment revenue and results

	Unaudited For the six months ended June 30, 2016				
	Content production *RMB'000*	**Internet-based promotion and distribution** *RMB'000*	**Entertainment e-commerce** *RMB'000*	**International operations** *RMB'000*	**Total** *RMB'000*
Segment revenue	**21,523**	**211,950**	**1,961**	**21,823**	**257,257**
Segment results	**3,896**	**(373,579)**	**(13,444)**	**(48,943)**	**(432,070)**
Unallocated selling and marketing expenses					**(14,333)**
Administrative expenses					**(278,310)**
Other income					**17,828**
Other gains, net					**32,116**
Finance income					**240,522**
Finance expenses					**(6,094)**
Share of loss of investments accounted for using the equity method					**(122)**
Loss before income tax					**(440,463)**

	Unaudited					
	For the six months ended June 30, 2015					
	Content production *RMB'000*	Internet-based promotion and distribution *RMB'000*	Entertainment e-commerce *RMB'000*	International operations *RMB'000*	Other operations *RMB'000*	Total *RMB'000*
Segment revenue	11,515	10,323	963	–	137	22,938
Segment results	(59,102)	(15,644)	(1,052)	–	137	(75,661)
Unallocated selling and marketing expenses						(767)
Administrative expenses						(129,100)
Other income						2,595
Other losses, net						(3,909)
Finance income						65,283
Finance expenses						(2,604)
Share of profit of investments accounted for using the equity method						20
Loss before income tax						(144,143)

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 FINANCE INCOME AND EXPENSES

	Unaudited For the six months ended June 30,	
	2016	2015
	RMB'000	*RMB'000*
Finance income		
– Exchange gain, net	**163,102**	13,627
– Interest income on bank deposits	**77,420**	47,963
– Others	**–**	3,693
	240,522	65,283
Finance expenses		
– Interest expenses on bank borrowings	**(6,094)**	–
– Interest expenses on entrusted loan	**–**	(2,604)
	(6,094)	(2,604)
Finance income, net	**234,428**	62,679

6 INCOME TAX EXPENSE

	Unaudited For the six months ended June 30,	
	2016	2015
	RMB'000	*RMB'000*
Current income tax – PRC enterprise income tax	**9,735**	2,198
Deferred income tax	**15,509**	861
	25,244	3,059

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

7 LOSS PER SHARE

	Unaudited For the six months ended June 30,	
	2016	2015
	RMB cents	*RMB cents*
Basic/diluted loss per share		
From continuing operations	**(1.85)**	(0.68)
From discontinued operations	**–**	(0.02)
	(1.85)	(0.70)

(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 during the period.

	Unaudited For the six months ended June 30,	
	2016	2015
	RMB'000	*RMB'000*
Loss from continuing operations attributable to owners of the Company	**(465,869)**	(147,226)
Loss from discontinued operations attributable to owners of the Company	**–**	(4,593)
Loss attributable to owners of the Company	**(465,869)**	(151,819)
Weighted average number of ordinary shares in issue (thousands)	**25,234,561**	21,499,032

(b) Diluted

Diluted earnings 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 one category of dilutive potential ordinary shares during the periods ended June 30, 2016 and 2015, which is share options. 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 per share.

The computation of diluted loss per share for the six months ended June 30, 2016 and 2015 did not assume the inssuance of any dilutive potential ordinary share since they are antidilutive, which would decrease the loss per share for the six months ended June 30, 2016 and 2015.

8 DIVIDENDS

The Board has resolved not to declare a dividend for the six months ended June 30, 2016 (2015 interim: nil).

9 TRADE AND OTHER RECEIVABLES, AND PREPAYMENTS

	Unaudited June 30, 2016 *RMB'000*	Audited December 31, 2015 *RMB'000*
Trade receivables *(Note a)*	**313,214**	280,513
Less: allowance for impairment of trade receivables	**(51,948)**	(51,948)
Trade receivables – net	**261,266**	228,565
Prepayment for investment in BONA Beijing *(Note b)*	**627,793**	–
Prepaid film deposits	**90,000**	120,000
Prepayment for investment in film and TV copyrights	**51,907**	16,702
Other prepayments	**22,362**	10,795
Other receivables arising from:		
– Refund receivable in relation to the restructuring of BONA Beijing *(Note b)*	**506,179**	–
– Receivables in respect of Yulebao's business	**262,799**	382,895
– Refundable investment cost *(Note c)*	**72,000**	2,090
– Interest income receivable	**56,689**	24,132
– Refundable deposit in relation to acquisition of an investee *(Note d)*	**24,000**	24,000
– Disposal of art works	**12,000**	20,000
– Loan receivable	**–**	15,000
– Investment income receivable	**–**	2,201
– Other receivables and deposits	**44,461**	67,261
Less: allowance for impairment of other receivables and prepayments	**(1,278)**	(1,600)
Other receivables and prepayments – net	**1,768,912**	683,476
Total trade and other receivables, and prepayments	**2,030,178**	912,041
Less: non-current portion	**(720,029)**	(122,928)
Current portion	**1,310,149**	789,113

As at June 30, 2016, non-current balances mainly represented prepayment for investment in BONA Beijing and prepaid film deposits. The fair values of the current portion of trade and other receivables, and prepayments approximate their carrying value.

Notes:

(a) Trade receivables

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 invoice date is as follows:

	Unaudited June 30, 2016 *RMB'000*	Audited December 31, 2015 *RMB'000*
0 – 90 days	**146,818**	99,276
91 – 180 days	**35,680**	99,699
181 – 365 days	**71,541**	16,773
Over 365 days	**59,175**	64,765
	313,214	280,513

(b) Prepayment for investment in BONA Beijing and refund receivable in relation to the restructuring of BONA Beijing

On December 15, 2015, the Group entered into an investment agreement (the "Investment Agreement") and agreed to purchase 8.29% (on a fully diluted basis) indirect equity interests in Bona Film Group Limited ("BONA Cayman", a company incorporated in the Cayman Islands whose shares were formerly listed on the NASDAQ), for a consideration of US$85,983,000 (equivalent to approximately RMB570,784,000).

On May 13, 2016, the Group entered into a restructuring framework agreement (the "Restructuring Framework Agreement"), pursuant to which the Group injected capital of RMB563,188,000 into BONA Beijing (a wholly-owned subsidiary of BONA Cayman) and to obtain approximately 8.29% (on a fully diluted basis) equity interests in BONA Beijing. In addition, according to the Restructuring Framework Agreement, the investment previously prepaid by the Group in relation to the investment in BONA Cayman amounting to RMB506,179,000 will be refunded to the Group.

As at June 30, 2016, the above transaction under the Restructuring Framework Agreement has not been completed. The total amount prepaid by the Group under the Investment Agreement and the Restructuring Framework Agreement amounted to RMB1,133,972,000, of which RMB506,179,000 represented a refund receivable and was recorded as other receivables, and the remaining balance of RMB627,793,000 represented a prepayment for investment in the condensed consolidated balance sheet.

(c) Refundable investment cost

The amount is unsecured and non-interest bearing. It is expected to be fully settled within 2016.

(d) Refundable deposit in relation to acquisition of an investee

The balance represents a refundable deposit in relation to an investment, which has been fully collected in July 2016.

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited June 30, 2016 *RMB'000*	Audited December 31, 2015 *RMB'000*
Convertible bonds	**1,000,000**	–

The balance represents the convertible bonds issued by Dadi, which are compound instruments and designated as financial assets at fair value through profit or loss.

The issuance of the convertible bonds was completed on June 15, 2016 (the "Issue Date"). The convertible bonds bear interest at 1.95% per annum and have a conversion period of 3 years (the "Conversion Period").

The Group can, at any time during the Conversion Period, convert all the convertible bonds into ordinary shares of Dadi at a conversion price determined in accordance with the terms of the subscription agreement of the convertible bonds.

In terms of redemption, the Group can, at any time after the 2nd anniversary of the Issue Date, require 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 Group (the "Redemption Price"). Upon maturity of the Conversion Period, Dadi will redeem all the convertible bonds outstanding (which have not been redeemed or converted) at the Redemption Price.

According to the valuation report issued by an independent qualified valuer, the fair value of the convertible bonds on the Issue Date approximated its principal amount of RMB1,000,000,000. As a result, the convertible bonds were initially recognized at the principal amount of RMB1,000,000,000.

As at June 30, 2016, the directors of the Company are of the view that there is no significant change in the fair value of the convertible bonds as compared to the fair value on the Issue Date.

11 TRADE AND OTHER PAYABLES, AND ACCRUED CHARGES

	Unaudited June 30, 2016 *RMB'000*	Audited December 31, 2015 *RMB'000*
Trade payables *(Note a)*		
– Related parties	**12,598**	–
– Third parties	**31,758**	27,534
	44,356	27,534
Other payables and accrued charges		
Investment prepaid by non-controlling investors of a subsidiary *(Note b)*	**633,500**	–
Amounts due to related parties	**122,259**	466,147
Advance from customers	**58,925**	4,448
Other tax payable	**35,823**	63,987
Accrued marketing expense	**29,205**	–
Payroll and welfare payable	**27,186**	45,316
Amount received on behalf of cinemas	**13,143**	–
Payable in relation to distribution of films	**12,209**	14,305
Professional fees payable	**5,554**	9,789
Payable for property, plant and equipment	**5,185**	–
Other payables and accrued charges	**62,550**	39,140
	1,005,539	643,132
Total trade and other payables, and accrued charges	**1,049,895**	670,666

Notes:

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

	Unaudited June 30, 2016 *RMB'000*	Audited December 31, 2015 *RMB'000*
0 – 90 days	**23,666**	15,146
91 – 180 days	**7,367**	–
181 – 365 days	**2,102**	58
Over 365 days	**11,221**	12,330
	44,356	27,534

(b) On May 15, 2016, the Group entered into an agreement with certain investors (the "Investors"), pursuant to which the Investors will inject capital of RMB1,700,000,000 into a wholly-owned subsidiary of the Company, for a total of 12.4% equity interests in this subsidiary. As at June 30, 2016, the above transaction has not been completed and the investment prepaid by the Investors of RMB633,500,000 (including RMB150,000,000 prepaid by a company controlled by a key management personnel of AGHL) is recorded as "Trade and other paybles, and accrued charges" in the condensed consolidated balance sheet.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended June 30, 2016 (2015 interim: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In the reporting period ended June 30, 2016, the Group achieved substantial business development on the back of significant capital and resource devotion. In this period, the Group continued building an innovative platform centered around its internet-based promotion and distribution system and integrating content creation and other related businesses spanning the entire entertainment industry value chain. Achieving certain magnitude, the platform is beginning to gain industry influence and form its unique entertainment ecosystem. In addition, the Group made good progress in expanding and enhancing the capabilities and services of its platform, which began to draw an increasing amount of business activities and experienced a robust growth of revenue. The Group continues to implement corporate strategies that will lay solid foundation for its sustainable development.

For the first half of 2016, the Group recorded revenue of RMB257.3 million, an increase of 1022% from the same period in the previous year. The increase was primarily generated by the internet-based promotion and distribution segment, which includes Guangdong Yueke Software Engineering Company Limited ("Yueke"), which was acquired in June 2015. The Group's internet-based promotion and distribution business has been well positioned to benefit from the overall box office growth and the increasing adoption of online movie ticketing in China. According to the State Administration of Radio, Film and Television, the overall box office revenues in the PRC exceeded RMB24.5 billion for the first half of 2016, compared with RMB20.4 billion in the first half of 2015. Over the last several years, online movie ticketing has grown rapidly in China due to several factors. The convenience of ticket purchase and seat selection, and price discounts provided by many of the online movie ticketing platforms are among the major reasons for inducing a large portion of movie-viewers to begin or develop the habit of online movie ticket purchase. By the Group's estimate, more than 70% of all movie tickets sold in China are being purchased through online movie ticketing platforms. Our core operating asset Tao Piao Piao has emerged as one of the leading players in this fast developing O2O business segment.

For the first half of 2016, the Group recorded a net loss of RMB465.7 million, compared with RMB151.8 million for the same period in the previous year. The increase in net loss was primarily attributable to Tao Piao Piao's marketing expenses. Tao Piao Piao has incurred these expenses, which consisted mainly of ticket subsidies to movie-viewers, to successfully build its user base. Utilizing this market strategy, Tao Piao Piao's market share has grown sharply and is now one of the leading online movie ticketing platforms in China. Tao Piao Piao offers online ticketing and seat selection services in more than 5,000 theaters nationwide, covering 95% of the country's total box office. In May 2016, a group of series A investors, led by CDH Investments, Ant Financial Services Group, and Sina.com, invested RMB1.7 billion into Tao Piao Piao for a 12.4% stake. The proceeds serve to support Tao Piao Piao's operations (including to further enhance user experience) and further strengthen its market position. As the Group continues to invest in Tao Piao Piao, it will also adjust and optimize Tao Piao Piao's business model with respect to market conditions.

In terms of our overall operations, steady progress has been made in each of our four major business segments: (i) Content Production, (ii) Internet-based Promotion and Distribution, (iii) Entertainment E-commerce, and (iv) International Operations.

Details are further elaborated in the BUSINESS REVIEW section below.

BUSINESS REVIEW

CONTENT PRODUCTION

Content creation often involves significant upfront capital and time investment. In the first half of 2016, progress has been made on various projects. Ferry Man (擺渡人), a film produced by Wong Kar Wai and featuring Tony Leung and a string of other popular actors and actresses, has finished production and is slated to be released in the second half of 2016. The filming for Three Lives Three Worlds Ten Miles of Peach Blossom (三生三世十里桃花), a film adaptation of the acclaimed Chinese fantasy romance novel of the same name, has been completed and its visual effect is currently being developed. This film is scheduled for a 2017 release.

Other major projects in early stage development include The Heroic Age (蠻荒記) and ZhengTu (征途). The Heroic Age (蠻荒記) will be based on the popular fantasy adventure novel of the same name, while ZhengTu (征途) will derive its themes from the widely popular game of the same name. Both of these films will feature industry leading visual effects on par with Hollywood productions. As the Group is still in an expansion cycle in terms of content production, this business segment recorded revenue of RMB21.5 million and segment gain of RMB3.9 million for the six months ended June 30, 2016, primarily derived from investments in TV dramas including Tou Hao Qian Qi (頭號前妻). For the same period in 2015, the Group recorded segment revenue and loss of RMB11.5 million and RMB59.1 million, respectively, for the content production business segment.

INTERNET-BASED PROMOTION AND DISTRIBUTION

For the first half of 2016, the Group made substantial effort in integrating the online movie ticketing platform Tao Piao Piao with the Group's existing resources and improving its overall business profile. Combining both online and on-the-ground promotional and distribution capabilities, Tao Piao Piao has strengthened its core competency and differentiated itself from some of its competitors. In May 2016, it raised RMB1.7 billion from a group of series A investors including CDH Investments, Ant Financial Services Group, Sina.com and various movie industry participants such as Hehe Pictures, BONA Film Group, Zhejiang Huace Film & TV, demonstrating wide recognition by the industry towards its business strategy, market prospects and operational capability. With a post money valuation of RMB13.7 billion, Tao Piao Piao will utilize the proceeds from series A financing to support its operations and implement its business strategies.

Given the overall box office growth and rising trend of online movie ticketing, Yueke has continued to deliver solid performance in the first half of 2016, contributing to the Group's year-on-year revenue growth. The profit generating Yueke has started to work closely with head office and other business lines of the Group to explore the development of more service offerings for cinema operators. In terms of financial results, the Group's internet-based promotion and distribution business line generated RMB212.0 million of revenue in the first six months of 2016, an increase from RMB10.3 million for the same period in the previous year. In the interim period, the segment loss was RMB373.6 million, compared with RMB15.6 million in the corresponding period in 2015. Yueke's increased profits were offset by Tao Piao Piao's marketing expenses, which were mainly incurred for attracting movie-goers to use its online ticketing function.

ENTERTAINMENT E-COMMERCE

The Group's entertainment e-commerce segment consists of two main functions – C2B financing for entertainment projects and merchandising. Yulebao, which serves as a C2B financing platform for entertainment related projects, was fully acquired from Alibaba Group on December 31, 2015. The Group has been re-evaluating its ongoing commercial strategies, in the context of aiming to increase investors' interests and participation in their invested projects. The Group also follows closely on the latest developments with respect to regulations on P2P financings in the PRC.

IP-centric merchandise is an important business initiative for the Group. We have licensed a number of products for sale and established our flagship sales outlets on first-rate web-based platforms such as Tmall.com. In addition, the Group has also obtained several IP rights for merchandise development and will be involved in the conceptual design of potential products. Yulebao will provide various professional services which align with the Big Data objectives of Alibaba Group, with a focus on design, production techniques and marketing channels. The collaborations between the Group and Hollywood film studios on various films with respect to merchandise have advanced steadily.

As the merchandise business was in an early stage of development, the Group's E-commerce business line recorded RMB2.0 million in revenue and RMB13.4 million in segment loss for the first six months of 2016, compared with RMB1.0 million in revenue and RMB1.1 million in segment loss for the same period in 2015.

INTERNATIONAL OPERATIONS

Following last year's Mission: Impossible – Rogue Nation, the Group has collaborated with Paramount Pictures on two more projects – Teenage Mutant Ninja Turtles: Out of the Shadows and Star Trek Beyond. For both films, the Group invests in the projects and provide promotional activities in the PRC. Teenage Mutant Ninja Turtles: Out of the Shadows has been released in early July in the PRC, while Star Trek Beyond is scheduled to be released in September 2016 in the PRC.

In addition, the Group has partnered with Skydance Media for the production of Flying Tigers, a film about a group of volunteer pilots from the US Air Force, Navy and Marine Corps who fought alongside the Chinese during World War II. The Group continues to explore various opportunities to work with global talents on industry leading projects.

In terms of financial performance, for the first six months of 2016 the International Operations business line recorded revenue of RMB21.8 million (2015 interim: nil) and segment loss of RMB48.9 million (2015 interim: nil). The loss was primarily attributable to provision made for the film Teenage Mutant Ninja Turtles: Out of the Shadows, as a result of its global box office performance.

PROSPECTS

The Group continues to source blockbuster IPs and film projects both domestically and internationally. Meanwhile, due to the strategic importance and immense potential of its internet-based promotion and distribution unit, the Group is committed to invest the necessary resources to further advance the market positions of Tao Piao Piao and Yueke. In terms of entertainment merchandise, although it is still at an early stage of development in the PRC, it is highly valued by studios for certain film projects. Its growth is expected to be in-line with the overall increase of variety and creativity in content creation. As each of its business segments advanced steadily, the Group expects to see a substantial increase in revenue in the second half of 2016, compared with the first half.

As the Group works to strengthen each of its business segments, it continues to enrich its ecosystem, which remains a key part of its long term strategic goals. In a fast growing and developing industry, the Group continues to source and evaluate potential investment or acquisition opportunities that can be beneficial to the Group's overall strategic growth in the industry. Based on its existing platform, the Group has researched the current competitive landscape of cinema lines in the PRC and evaluated the commercial opportunities in this segment. Recently the Group announced investments in selected cinema operators, where it is exploring the possibility of using its existing data, internet knowhow and resources to improve the operational efficiency of cinemas. Continuing to discover new business initiatives that can potentially add value to the Group's vertically integrated model continues to be at the forefront of our efforts.

In the second quarter of 2016, Alibaba Group announced that its key media-related investments, including Youku Tudou, UCWeb and OTT TV were combined into a Digital Media and Entertainment unit that would be under a unified management structure. Alibaba Pictures is expected to work more closely with Alibaba Group's Digital Media and Entertainment unit, which includes also Alibaba Music, Alibaba Literature and Alibaba Sports. The synergies derived from tighter collaborations will potentially accelerate development and catalyze future growth for the Group.

FINANCIAL REVIEW

Revenue and Profit for the period

During the reporting period, the Group recorded revenue of RMB257.3 million, compared with RMB22.9 million in the corresponding period in 2015. Gross profit during the reporting period was RMB77.3 million, compared with a gross loss of RMB50.0 million for the same period in the previous year. The increase in revenue and gross profit were mainly due to the contribution from Yueke.

Net loss attributable to the owners of the Company amounted to RMB465.9 million, up from net loss of RMB151.8 million in the first half of 2015. The year-on-year increase in net loss was caused by an increase in marketing expenses, offset in part by a net finance income of RMB234.4 million, comprising foreign exchange gain and interest income.

For the six months ended June 30, 2016, loss per share (basic and diluted) for the Group amounted to RMB1.85 cents, up from a loss per share of RMB0.70 cents for the same period in the previous year.

Selling, Marketing and Administrative Expenses

Selling and marketing expenses for the reporting period were RMB523.7 million, compared with approximately RMB26.4 million in the corresponding period in 2015. The increase is primarily attributable to the marketing expenses of Tao Piao Piao in its efforts to attract movie-goers to use Tao Piao Piao's online ticketing platform. Administrative expenses increased from RMB129.1 million to RMB278.3 million year-on-year mainly due to employee benefit expenses related to higher headcounts across multiple functions as a result of the acquisitions of Tao Piao Piao and Yulebao.

Finance Income

For the first six months of 2016, the Group recorded finance income of RMB240.5 million, offset in part by a finance expense of RMB6.1 million. The Group's cash reserves are held in multiple currencies. Both interest income and foreign exchange gains contributed to finance income.

Financial Resources and Liquidity

The Group continued to utilize the proceeds from its equity placement in June 2015 to invest in various businesses in its industry. In the first six months of 2016, approximately RMB2,144.0 million were used for such investments which included Dadi Cinema Group and BONA Film Group. As at June 30, 2016, the Group had cash reserves and available-for-sale financial assets of RMB11.4 billion in multiple currencies. The Group's significant cash reserves give it the financial means to undertake a variety of business initiatives and projects in the near future, including potential acquisitions of strategic assets to complement the Group's existing businesses. As at June 30, 2016, the Group had no long-term debt obligations. Short-term borrowings amounted to RMB1.98 billion. The Group is in a net cash position and its gearing ratio (net borrowings deducting cash and bank balances over total equity) was nil (December 31, 2015: nil).

Foreign Exchange Risks

The Company holds its cash reserves in RMB, USD, and HKD. Although the majority of production costs and management expenses are denominated in RMB, many investment opportunities and collaborations with studios outside Mainland China require foreign currencies. The Group continues to monitor capital needs closely and manage foreign currency exposure accordingly.

Charge on Assets

As at June 30, 2016, the Group did not have any charge on assets (December 31, 2015: nil).

Contingent Liabilities

As at June 30, 2016, the Group did not have any material contingent liabilities (December 31, 2015: nil).

Employees

As at June 30, 2016, the Group, including its subsidiaries but excluding its associates, had 745 (December 31, 2015: 343) employees. The remuneration policies of the Group are based on the 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 June 30, 2016, the Company has applied and complied with the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for certain deviations which are summarized below:

Code provision A.5.1 stipulates that the Company should establish a nomination committee which is chaired by the Chairman of the Board or an independent non-executive director ("INED") and comprise a majority of INEDs. Following the resignation as a member of Ms. Zhang Yu with effect from November 3, 2015, the nomination committee of the Company failed to comprise a majority of INEDs. The Company appointed Mr. Johnny Chen as a member of the nomination committee of the Company with effect from January 29, 2016. Following the appointment of Mr. Johnny Chen, the Company has been fully in line with the code provision A.5.1 with effect from January 29, 2016.

Code provision A.6.7 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. Tong Xiaomeng and Ms. Song Lixin, INEDs of the Company, were not able to attend the annual general meeting of the Company held on June 24, 2016 ("2016 AGM") due to their personal engagements during the meeting time.

Code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. Mr. Shao Xiaofeng, chairman of the Board, was not able to attend the 2016 AGM due to his personal engagement during the meeting time.

Code provision F.1.1 stipulates the company secretary should be an employee of the Company and have day-to-day knowledge of the Company's affairs. Mr. Ng Lok Ming William is not an employee of the Company and Mr. Shao Xiaofeng, the chairman of the Company, is the contact person whom Mr. Ng can contact for the purpose for the code provision.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the six months ended June 30, 2016. The Company has also adopted the Model Code to regulate dealings in the securities of the Company by certain officers and employees of the Company or its subsidiaries who are considered to be likely in possession of unpublished inside information in relation to the Company or its securities.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the six months ended June 30, 2016.

On behalf of the Board
Alibaba Pictures Group Limited
Shao Xiaofeng
Chairman

Hong Kong, August 26, 2016

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