

Alibaba Pictures Group Limited
阿里巴巴影业集团有限公司

2019/20

INTERIM REPORT



Stock Code:1060

 This Interim Report is printed on environmentally friendly paper

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Fan Luyuan (*Chairman & Chief Executive Officer*)

Mr. Meng Jun

Non-Executive Directors

Ms. Zhang Yu

Mr. Chang Yang

Independent Non-Executive Directors

Ms. Song Lixin

Mr. Tong Xiaomeng

Mr. Johnny Chen

EXECUTIVE COMMITTEE

Mr. Fan Luyuan (*Committee Chairman*)

Mr. Meng Jun

REMUNERATION COMMITTEE

Mr. Tong Xiaomeng (*Committee Chairman*)

Mr. Fan Luyuan

Ms. Song Lixin

AUDIT COMMITTEE

Mr. Johnny Chen (*Committee Chairman*)

Ms. Song Lixin

Mr. Tong Xiaomeng

NOMINATION COMMITTEE

Mr. Fan Luyuan (*Committee Chairman*)

Mr. Tong Xiaomeng

Mr. Johnny Chen

COMPANY SECRETARY

Mr. Ng Lok Ming, William

SOLICITOR

Mayer Brown

AUDITOR

PricewaterhouseCoopers

WEBSITE

www.alibabapictures.com

PRINCIPAL BANKERS

China CITIC Bank International Limited

China Merchants Bank Co., Ltd.

Bank of Communications Co., Ltd.

The Hongkong and Shanghai Banking Corporation Limited

Citibank (China) Co., Ltd.

East West Bank

JPMorgan Chase Bank, N.A.

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41 Cedar Avenue, Hamilton HM 12,

Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited

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SINGAPORE SHARE TRANSFER AGENT

Boardroom Corporate & Advisory Services Pte. Ltd.

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Singapore 048623

STOCK CODE

Stock Code on The Stock Exchange of

Hong Kong Limited: 1060

Stock Code on the Singapore Exchange

Securities Trading Limited: S91



羅兵咸永道

Report on Review of Interim Financial Information
To the Board of Directors of Alibaba Pictures Group Limited
(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 3 to 40, which comprises the interim condensed consolidated balance sheet of Alibaba Pictures Group Limited (the “Company”) and its subsidiaries (together, the “Group”) as at September 30, 2019 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, November 27, 2019

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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	6	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	7	44,780	4,809
Other (losses)/gains, net	8	(25,901)	81,475
Operating loss		(335,856)	(423,482)
Finance income	9	115,898	267,712
Finance expenses	9	(21,204)	(6,199)
Finance income, net		94,694	261,513
Share of (loss)/profit of investments accounted for using the equity method	12	(49,343)	15,554
Impairment of investments accounted for using the equity method	12	(105,000)	–
Loss before income tax		(395,505)	(146,415)
Income tax expense	10	(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)	11		
– Basic		(1.48)	(0.50)
– Diluted		(1.48)	(0.50)

The above interim condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

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:		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	<u>71,468</u>	<u>145,186</u>
Other comprehensive income for the period, net of tax	<u>71,468</u>	<u>145,186</u>
Total comprehensive loss for the period	<u>(324,829)</u>	<u>(9,279)</u>
Attributable to:		
Owners of the Company	<u>(321,797)</u>	18,981
Non-controlling interests	<u>(3,032)</u>	<u>(28,260)</u>
Total comprehensive loss for the period	<u>(324,829)</u>	<u>(9,279)</u>

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		As at September 30, 2019 (Unaudited) RMB'000	As at March 31, 2019 (Audited) RMB'000
	<i>Note</i>		
Assets			
Non-current assets			
Property, plant and equipment	13	151,991	200,956
Goodwill	13	3,565,514	3,586,047
Intangible assets	13	155,261	165,803
Right-of-use assets	13	303,508	–
Deferred income tax assets		1,814	419
Investments accounted for using the equity method	12	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	5	819,715	1,954,542
Trade and other receivables, and prepayments	14	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	14	2,542,352	1,824,918
Current income tax recoverable		7,889	6,353
Financial assets at fair value through profit or loss	5	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
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	15	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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

		As at September 30, 2019 (Unaudited) RMB'000	As at March 31, 2019 (Audited) RMB'000
	Note		
Liabilities			
Non-current liabilities			
Borrowings	17	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	18	6,000	6,000
		<u>1,075,988</u>	<u>765,168</u>
Current liabilities			
Borrowings	17	7,500	5,000
Trade and other payables, and accrued charges	18	952,241	832,457
Contract liabilities		109,059	54,528
Lease liabilities		30,268	8,435
		<u>1,099,068</u>	<u>900,420</u>
Total liabilities		<u>2,175,056</u>	<u>1,665,588</u>
Total equity and liabilities		<u>16,849,972</u>	<u>16,617,783</u>

The above interim condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company										
		Shares held for share award scheme			Shareholder's contribution reserve		Translation reserve	Share-based compensation reserve	Accumulated losses	Total	Non-controlling interests	Total
Note		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended September 30, 2019 (Unaudited)												
	At April 1, 2019	5,377,988	13,223,637	(235,906)	(1,071,288)	48,527	(85,019)	225,840	(2,627,336)	14,856,443	95,752	14,952,195
	Loss for the period	-	-	-	-	-	-	-	(390,360)	(390,360)	(5,937)	(396,297)
	Other comprehensive income for the period:											
	Currency translation differences	-	-	-	-	-	68,563	-	-	68,563	2,905	71,468
	Total comprehensive loss for the period	-	-	-	-	-	68,563	-	(390,360)	(321,797)	(3,032)	(324,829)
	Exercise of shares options under share option scheme	15	788	4,439	-	-	-	(1,584)	-	3,643	-	3,643
	Shares purchased for share award scheme		-	-	(2,735)	-	-	-	-	(2,735)	-	(2,735)
	Shares vested under share award scheme		-	-	26,935	-	-	(26,935)	-	-	-	-
	Value of employee services provided under share option scheme and share award scheme	16(a)(c)	-	-	-	-	-	46,585	-	46,585	-	46,585
	Value of employee services provided in relation to share-based payment transactions with Alibaba Group Holding Limited ("AGH")	16(b)	-	-	-	-	-	57	-	57	-	57
	At September 30, 2019	5,378,776	13,228,076	(211,706)	(1,071,288)	48,527	(16,456)	243,963	(3,017,696)	14,582,196	92,720	14,674,916

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

Note	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Shares held for share award scheme RMB'000	Other reserve RMB'000	Shareholder's contribution reserve RMB'000	Translation reserve RMB'000	Investment revaluation reserve RMB'000	Share-based compensation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
For the six months ended September 30, 2018 (Unaudited)												
At April 1, 2018	5,131,405	12,277,493	(148,436)	(1,071,373)	48,527	(125,006)	915	237,853	(2,374,681)	13,976,697	120,202	14,096,899
Change in accounting policy	-	-	-	-	-	-	(915)	-	915	-	-	-
Restated total equity at the beginning of the period	5,131,405	12,277,493	(148,436)	(1,071,373)	48,527	(125,006)	-	237,853	(2,373,766)	13,976,697	120,202	14,096,899
Loss for the period	-	-	-	-	-	-	-	-	(125,545)	(125,545)	(28,920)	(154,465)
Other comprehensive income for the period:												
Currency translation differences	-	-	-	-	-	144,526	-	-	-	144,526	660	145,186
Total comprehensive loss for the period	-	-	-	-	-	144,526	-	-	(125,545)	18,981	(28,260)	(9,279)
Issuance of shares under share award scheme	15	3,762	12,190	(15,952)	-	-	-	-	-	-	-	-
Shares purchased for share award scheme	-	-	(2,225)	-	-	-	-	-	-	(2,225)	-	(2,225)
Shares vested under share award scheme	-	-	24,310	-	-	-	-	(24,310)	-	-	-	-
Value of employee services provided under share option scheme and share award scheme	16(a)(c)	-	-	-	-	-	-	13,190	-	13,190	-	13,190
Value of employee services provided in relation to share-based payment transactions with AGH	16(b)	-	-	-	-	-	-	733	-	733	-	733
Non-controlling interests arising on a newly established subsidiary	-	-	-	-	-	-	-	-	-	-	8,570	8,570
Disposal of certain equity interest in a subsidiary without loss of control	-	-	-	85	-	-	-	-	-	85	3,399	3,484
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	(13,177)	(13,177)
At September 30, 2018	5,135,167	12,289,683	(142,303)	(1,071,288)	48,527	19,520	-	227,466	(2,499,311)	14,007,461	90,734	14,098,195

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended	
	September 30,	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cash flows from operating activities		
Cash used in operating activities	(667,271)	(305,410)
Income tax paid	(1,062)	(14,334)
Net cash outflow from operating activities	(668,333)	(319,744)
Cash flows from investing activities		
Change in bank deposits with the maturity over three months, net	792,866	686,637
Proceeds from repayment of principal of convertible bonds	500,000	–
Interest received on convertible bonds	146,800	19,500
Change in bank deposits with the maturity over one year	50,000	–
Interest received	27,485	54,217
Investment interest received on investments in wealth management products	3,451	15,887
Proceeds from disposal of property, plant and equipment	594	295
Amount received in relation to the restructuring of an associate	–	62,203
Change in investments in wealth management products, net	(105,083)	(649,438)
Increase in unlisted equity investments	(24,863)	(104,500)
Investments in joint ventures	(9,490)	(10,510)
Purchases of property, plant and equipment	(8,798)	(23,064)
Purchase of intangible assets	(1,707)	–
Net cash inflow from investing activities	1,371,255	51,227

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

	For the six months ended	
	September 30,	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cash flows from financing activities		
Proceeds from exercise of share options under share option scheme	3,643	–
Proceeds from bank borrowings	–	695,216
Capital injection from non-controlling interests	–	8,570
Proceeds from disposal of interest in a subsidiary	–	3,484
Principal elements of lease payments	(15,011)	(4,356)
Interest paid	(12,400)	(3,622)
Shares purchased for share award scheme	(2,735)	(2,225)
Repayment of borrowings	(2,500)	(1,500)
	<hr/>	<hr/>
Net cash (outflow)/inflow from financing activities	(29,003)	695,567
	<hr/>	<hr/>
Net increase in cash and cash equivalents	673,919	427,050
Cash and cash equivalents at beginning of the period	3,341,470	1,685,719
Exchange gain on cash and cash equivalents	121,400	225,471
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	4,136,789	2,338,240
	<hr/>	<hr/>

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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.

2 BASIS OF PREPARATION (Continued)

(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 1 April 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 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)
	<hr/>
Lease liabilities recognised as at April 1, 2019	308,347
	<hr/>
Of which are:	
Current lease liabilities	17,529
Non-current lease liabilities	290,818
	<hr/>

3 CHANGES IN ACCOUNTING POLICIES (Continued)

(a) Adjustments recognized on adoption of HKFRS 16 (Continued)

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

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(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.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

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 ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the twelve months ended March 31, 2019.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at March 31, 2019.

There have been no material changes in the risk management policies since March 31, 2019.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(Continued)

5.2 Fair value estimation

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The following table presents the Group's financial assets that are measured at fair value at September 30, 2019.

	Unaudited			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss (current)				
Investments in wealth management products	–	–	297,411	297,411
Film and TV Investments, at fair value	–	–	308,157	308,157
Financial assets at fair value through profit or loss (non-current)				
Unlisted investments	–	–	819,715	819,715
Total assets	–	–	1,425,283	1,425,283

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(Continued)

5.2 Fair value estimation (Continued)

The following table presents the Group's financial assets that are measured at fair value at March 31, 2019.

	Audited			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Financial assets at fair value through profit or loss (current)				
Investments in wealth management products	–	–	190,017	190,017
Film and TV investments, at fair value	–	–	275,294	275,294
Financial assets at fair value through profit or loss (non-current)				
Unlisted investments	–	–	793,542	793,542
Investment in convertible bonds	–	–	1,161,000	1,161,000
Total assets	–	–	2,419,853	2,419,853

5.3 Fair value measurements using significant unobservable inputs

The following table presents the significant changes in level 3 instruments for the six months ended September 30, 2019 and 2018.

	For the six months ended	
	September 30, 2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Investments in wealth management products		
Opening balance	190,017	666,992
Change in investment amount, net	101,632	633,551
Fair value changes recognized in other gains	5,762	19,233
Closing balance	297,411	1,319,776

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(Continued)

5.3 Fair value measurements using significant unobservable inputs (Continued)

	For the six months ended	
	September 30,	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Unlisted investments		
Opening balance	793,542	52,000
Change in investment amount, net	24,863	220,549
Effect of changes in exchange rate	1,310	4,485
Closing balance	819,715	277,034
Convertible bonds		
Opening balance	1,161,000	1,122,587
Interest received	–	(19,500)
Fair value changes recognized in other (losses)/gains	(29,035)	49,920
Derecognition (Note)	(1,131,965)	–
Closing balance	–	1,153,007

Note:

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 were collected in October 2019 subsequently.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(Continued)

5.3 Fair value measurements using significant unobservable inputs (Continued)

	For the six months ended	
	September 30,	2018
	2019	(Unaudited)
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Film and TV investments, at fair value		
Opening balance	275,294	—
Change in investment amount, net	251,558	—
Fair value changes	5,624	—
Derecognition	(135,726)	—
Impairment	(88,593)	—
	<hr/>	<hr/>
Closing balance	308,157	—
	<hr/>	<hr/>

Note: The impairment of the film and TV investments, at fair value was resulted from the deterioration of certain film and TV producers' credit term.

6 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.

6 REVENUES AND SEGMENT INFORMATION (Continued)

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

6 REVENUES AND SEGMENT INFORMATION (Continued)

Segment revenue and results

	For the six months ended September 30, 2019 (Unaudited)			
	Internet-based promotion and distribution <i>RMB'000</i>	Content production <i>RMB'000</i>	Integrated development <i>RMB'000</i>	Total <i>RMB'000</i>
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)

6 REVENUES AND SEGMENT INFORMATION (Continued)**Segment revenue and results** (Continued)

	For the six months ended September 30, 2018 (Unaudited)			
	Internet-based promotion and distribution RMB'000	Content production RMB'000	Integrated development RMB'000	Total RMB'000
Segment revenue	1,172,354	310,489	49,409	1,532,252
Segment results	63,813	(164,433)	27,989	(72,631)
Unallocated selling and marketing expenses				(5,410)
Administrative expenses				(455,741)
Reversal of impairment losses on financial assets, net				24,016
Other income				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 are 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.

7 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

8 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 (Note 5)	(29,035)	49,920
Change in fair value of investments in wealth management products (Note 5)	5,762	19,233
Net gain/(loss) on disposal of property, plant and equipment	167	(2,997)
Gain on disposal of a subsidiary	–	16,914
Others	(2,795)	(1,595)
Total	(25,901)	81,475

9 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
	<u>115,898</u>	<u>267,712</u>
Finance expenses		
– Interest expenses on bank borrowings	(12,455)	(5,653)
– Interest expenses on lease liabilities	(8,749)	(546)
	<u>(21,204)</u>	<u>(6,199)</u>
Finance income, net	<u>94,694</u>	<u>261,513</u>

10 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)
	<u>792</u>	<u>8,050</u>

10 INCOME TAX EXPENSE (Continued)

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.

11 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)

11 LOSS PER SHARE (Continued)

(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 (Unaudited)	2018 (Unaudited)
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.

12 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 (Unaudited) RMB'000	2018 (Unaudited) 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 records its share of profit or loss of investments accounted for using the equity method on one quarter in arrear basis for the six months ended September 30, 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 are 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, the management estimates the present value of estimated future cash flows expected to arise from their businesses.

The recoverable amount is 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.

13 PROPERTY, PLANT AND EQUIPMENT, GOODWILL, INTANGIBLE ASSETS AND RIGHT-OF-USE ASSETS

	Property, plant and equipment <i>RMB'000</i>	Goodwill <i>RMB'000</i>	Intangible assets <i>RMB'000</i>	Right-of-use assets <i>RMB'000</i>
At March 31, 2019				
Cost	375,350	3,607,047	221,554	–
Accumulated depreciation/amortization and impairment	(174,394)	(21,000)	(55,751)	–
Net book amount	200,956	3,586,047	165,803	–
For the six months ended September 30, 2019 (Unaudited)				
Opening net book amount as at April 1, 2019	200,956	3,586,047	165,803	–
Change in accounting policy	(20,852)	–	–	321,600
Additions	8,798	–	1,707	–
Disposals	(427)	–	–	–
Depreciation/amortization charge	(36,484)	–	(12,249)	(18,092)
Impairment	–	(20,533)	–	–
Closing net book amount as at September 30, 2019	151,991	3,565,514	155,261	303,508
At September 30, 2019				
Cost	351,978	3,607,047	223,261	321,600
Accumulated depreciation/amortization and impairment	(199,987)	(41,533)	(68,000)	(18,092)
Net book amount	151,991	3,565,514	155,261	303,508

As at September 30, 2019, the Group does not have any material capital commitment (March 31, 2019: nil).

14 TRADE AND OTHER RECEIVABLES, AND PREPAYMENTS

	As at September 30, 2019 (Unaudited)			As at March 31, 2019 (Audited)		
	Current RMB'000	Non-current RMB'000	Total RMB'000	Current RMB'000	Non-current RMB'000	Total RMB'000
Trade receivables (Note)						
– 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	<u>1,220,086</u>	<u>–</u>	<u>1,220,086</u>	<u>1,198,182</u>	<u>–</u>	<u>1,198,182</u>
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	500,000	–	500,000	–	–	–
– Receivables in relation to other film and TV investments	237,848	–	237,848	128,885	–	128,885
– Deposits receivables	158,472	–	158,472	86,814	–	86,814
– Deductible VAT input	84,562	–	84,562	107,205	–	107,205
– Receivables in respect of reimbursement of distribution expenses	67,962	–	67,962	36,935	–	36,935
– Refund receivable in relation to the restructuring of an associate	38,883	–	38,883	38,883	–	38,883
– 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	<u>1,322,266</u>	<u>722,584</u>	<u>2,044,850</u>	<u>626,736</u>	<u>721,292</u>	<u>1,348,028</u>
Total trade and other receivables, and prepayments	<u>2,542,352</u>	<u>722,584</u>	<u>3,264,936</u>	<u>1,824,918</u>	<u>721,292</u>	<u>2,546,210</u>

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

14 TRADE AND OTHER RECEIVABLES, AND PREPAYMENTS (Continued)

Note:

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
	<u>1,286,059</u>	<u>1,230,765</u>

15 SHARE CAPITAL

Ordinary shares of HK\$0.25 each, issued and fully paid:

	Number of shares	Share capital HK\$'000	Equivalent to RMB'000
At April 1, 2019	26,628,822,510	6,657,206	5,377,988
Issuance of shares under share option scheme	<u>3,550,000</u>	<u>888</u>	<u>788</u>
At September 30, 2019 (Unaudited)	<u>26,632,372,510</u>	<u>6,658,094</u>	<u>5,378,776</u>
At April 1, 2018	25,469,703,910	6,367,426	5,131,405
Issuance of shares under share award scheme	<u>18,320,000</u>	<u>4,580</u>	<u>3,762</u>
At September 30, 2018 (Unaudited)	<u>25,488,023,910</u>	<u>6,372,006</u>	<u>5,135,167</u>

16 SHARE-BASED PAYMENT

During the six months ended September 30, 2019 and 2018, share-based payment expenses recognized in the interim condensed consolidated statement of profit or loss included:

	For the six months ended	
	September 30,	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Share-based payment under the 2012 Share Option Scheme (Note a)	8,509	2,910
Share-based payment under the Share Award Scheme (Note c)	38,076	10,280
Share-based payment transactions with AGH (Note b)	57	733
	<u>46,642</u>	<u>13,923</u>

(a) The 2012 share option scheme (the "2012 Share Option Scheme")

The 2012 share option scheme was adopted by the Company pursuant to a resolution passed by the Company's shareholders on June 11, 2012 for the primary purpose of providing incentives or rewards to any director, employee and other eligible participants who may make contribution to the Group. The 2012 Share Option Scheme will expire on June 10, 2022.

The maximum aggregate number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2012 Share Option Scheme and any other share option schemes, must not exceed 30% of the total number of shares of the Company in issue from time to time.

The fair values of the options granted pursuant to the 2012 Share Option Scheme during the six months ended September 30, 2019 are as below:

Grant date	Unaudited Fair value RMB'000
May 31, 2019	41,730
September 23, 2019	<u>10,906</u>
	<u>52,636</u>

16 SHARE-BASED PAYMENT (Continued)

(a) The 2012 share option scheme (the "2012 Share Option Scheme") (Continued)

The weighted average fair value of options granted during the six months ended September 30, 2019 determined using the binomial model was HK\$0.638 per option. The subjectivity and uncertainty of the values of options are subject to a number of assumptions and the limitation of the model. The significant inputs into the model were weighted average share price of HK\$1.564 at the grant date, weighted average exercise price of HK\$1.564, volatility of 40%~42.92%, zero expected dividend yield, a contractual option life of ten years, and an annual risk-free interest rate of 1.23%~1.41%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last 10 years.

A forfeiture occurs when either a service or a non-market performance condition is not met, as this affects the number of share options that vest. If the share options are forfeited, any expenses previously recognized in relation to such share options are reversed effective the date of the forfeiture.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognized in the interim condensed consolidated statement of profit or loss, with a corresponding adjustment to the share option reserve.

Movements of the share options granted by the Company pursuant to the 2012 Share Option Scheme are as below:

	For the six months ended September 30, 2019 (Unaudited)		For the six months ended September 30, 2018 (Unaudited)	
	Weighted average exercise price in HK\$ per share option	Number of share options	Weighted average exercise price in HK\$ per share option	Number of share options
Opening balance	1.089	144,505,000	1.486	57,933,500
Granted	1.564	93,192,500	0.941	134,050,000
Exercised	1.158	(3,550,000)	-	-
Lapsed	1.222	(8,750,000)	1.186	(35,878,500)
Closing balance	1.279	225,397,500	1.087	156,105,000

Note:

For the six months ended September 30, 2019, value of employee services provided under the 2012 Share Option Scheme recognized in the interim condensed consolidated statement of profit or loss was RMB8,509,000 (For the six months ended September 30, 2018: RMB2,910,000).

16 SHARE-BASED PAYMENT (Continued)

(b) Share-based payment transactions with AGH

On December 31, 2015, the Group completed the acquisition of a subsidiary that operates online movie ticketing business (“Tao Piao Piao”) and Yulebao from AGH. Pursuant to the agreement entered into by the Company and AGH, the Company agreed to pay RMB41,178,000 as the reimbursement of the share-based compensation provided by AGH to the employees of Tao Piao Piao and Yulebao which were outstanding as at December 31, 2015 and would remain effective subsequent to the acquisition. The reimbursement was treated as share-based payment transactions with AGH and the related share-based payment expenses were to be recognized in profit or loss over the remaining vesting periods of the share-based compensation in accordance with ‘HKFRS 2 – Share-based payment’.

During the six months ended September 30, 2019, share-based payment expenses recognized in relation to above reimbursement amounted to RMB57,000 (During the six months ended September 30, 2018: RMB733,000).

(c) Share Award Scheme (the “Share Award Scheme”)

On December 30, 2016 (the “Adoption Date”), the Company adopted the Share Award Scheme as approved by the Board of Directors of the Company. The purpose of the Share Award Scheme is to (a) recognize the contributions by certain persons, including employees of the Group, any company in which a group company may have direct or indirect investment in 20% or more of its voting powers and AGH (including its subsidiaries) to provide incentives thereto to retain them for the continual operation and development of the Group and (b) attract suitable personnel for further development of the Group.

The Group has established a trust (the “Share Award Trust”) to hold and administer the Company’s shares before they are vested and transferred to selected grantees. Upon granting of shares to selected grantees, the awarded shares are either subscribed by the allotment and issuance of new shares of the Company or purchased from the open market by the Share Award Trust (with funds provided by the Company by way of settlement or otherwise contributed by the Company).

16 SHARE-BASED PAYMENT (Continued)

(c) Share Award Scheme (the “Share Award Scheme”) (Continued)

Subject to any early termination determined by the Board of Directors of the Company, the Share Award Scheme shall be valid and effective for a term commencing on the Adoption Date and ending on the first to happen of the following, namely:

- (a) the 15th anniversary date of the Adoption Date;
- (b) the date when an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company; or
- (c) the date as may be informed by the Company that the Share Award Scheme shall be terminated.

As at September 30, 2019, the remaining life of the Share Award Scheme is approximately 12.5 years.

The Board of Directors of the Company shall not make any further award which will result in the aggregate number of shares awarded by the Board of Directors of the Company or held by the Share Award Trust under the Share Award Scheme to be in excess of 2% of the issued share capital of the Company from time to time. The maximum number of shares (including both vested and non-vested shares) which may be awarded to a selected grantee under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

The Share Award Trust shall not exercise the voting rights in respect of any shares held by it under the Share Award Scheme. Dividends declared for any shares held by the Share Award Trust shall become part of the trust fund for future purchase of shares.

16 SHARE-BASED PAYMENT (Continued)

(c) Share Award Scheme (the "Share Award Scheme") (Continued)

Movements of the awarded shares granted by the Company pursuant to the Share Award Scheme are as below:

	For the six months ended September 30, 2019 (Unaudited)		For the six months ended September 30, 2018 (Unaudited)	
	Weighted average fair value in HK\$ (per share)	Number of awarded shares	Weighted average fair value in HK\$ (per share)	Number of awarded shares
Opening balance	1.054	186,843,100	1.272	148,825,750
Granted (Note)	1.573	181,742,700	0.948	144,498,600
Vested	1.097	(29,286,150)	1.308	(21,621,000)
Lapsed	1.259	(23,043,100)	1.195	(46,310,250)
Closing balance	1.333	316,256,550	1.077	225,393,100

Note:

The fair value of awarded shares charged to the condensed consolidated statement of profit or loss was RMB38,076,000 during the six months ended September 30, 2019 (During the six months ended September 30, 2018: RMB10,280,000).

17 BORROWINGS

	As at September 30, 2019 (Unaudited) RMB'000	As at March 31, 2019 (Audited) RMB'000
<i>Unsecured</i>		
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 (<i>Note a</i>)	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.

18 TRADE AND OTHER PAYABLES, AND ACCRUED CHARGES

	As at September 30, 2019 (Unaudited)			As at March 31, 2019 (Audited)		
	Current RMB'000	Non-current RMB'000	Total RMB'000	Current RMB'000	Non-current RMB'000	Total 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
Deposits 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

18 TRADE AND OTHER PAYABLES, AND ACCRUED CHARGES *(Continued)*

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

19 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).

20 RELATED PARTY TRANSACTIONS

As at September 30, 2019, the Company is 50.65% owned by Ali CV. The remaining 49.35% of the Company's shares are widely held. The ultimate parent of the Company is AGH, a company whose shares are listed on New York Stock Exchange and incorporated in Cayman Islands.

Save as disclosed elsewhere in this condensed consolidated interim financial information, the following transactions were carried out with related parties:

20 RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties

	For the six months ended September 30,	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Sales of film and TV copyrights to AGH's subsidiaries	88,212	208,726
Provision of services to AGH's subsidiaries	66,807	23,143
Purchase of services from AGH's subsidiaries	38,063	24,627
Purchase of services from related companies of AGH	35,246	35,239
Provision of services to a related company of AGH	2,486	2,467

In the opinion of the Company's directors, the above related party transactions were carried out in the ordinary course of business and in accordance with the terms of the underlying agreements.

(b) Balances due from related parties

	As at September 30, 2019 (Unaudited) RMB'000	As at March 31, 2019 (Audited) RMB'000
Trade receivables		
Amounts due from associates (Note (i))	55,020	170,438
Amounts due from AGH's subsidiaries	132,679	62,134
Amounts due from a related company of AGH	5,924	7,950
Other receivables		
Amounts due from associates	50,210	62,786
Amounts due from AGH's subsidiaries	6,372	8,763
Amounts due from a related company of AGH	46	46
Prepayments		
Prepayment to a related company of AGH	3,978	3,044

As at September 30, 2019, all the balances due from related parties were unsecured, non-interest bearing and due in accordance with the terms of the underlying agreements.

As at September 30, 2019, the Group had a total amount of RMB321,621,000 (September 30, 2018: RMB192,944,000) in the Group's settlement accounts maintained with Alipay.com Co., Ltd (a related company of AGH), which had been recorded as 'cash and cash equivalents' in the interim condensed consolidated balance sheet and were the settlement amounts derived from the transactions between the Group and third parties.

Note:

- (i) As at September 30, 2019, the allowance for impairment of amounts due from associates was RMB2,241,000 (March 31, 2019: RMB2,241,000).

20 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances due to related parties

	As at September 30, 2019 (Unaudited) RMB'000	As at March 31, 2019 (Audited) RMB'000
Trade payable		
Amounts due to AGH's subsidiaries	31,265	33,148
Amounts due to a related company of AGH	46,710	30,405
Other payable		
Amounts due to associates	19,675	36,710
Amounts due to AGH's subsidiaries	73,756	66,030
Amounts due to a related company of AGH	118	117

The balances due to related parties were unsecured, non-interest bearing and due in accordance with the terms of the underlying agreement.

(d) Key management compensation

The compensation paid or payable to key management for employee services is shown below:

	For the six months ended September 30, 2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Salaries, allowances and other benefits	13,873	2,224
Share-based payments	4,347	1,407
Reversal of share-based payments upon lapse of share options and awarded shares granted to key management	—	(524)
	<u>18,220</u>	<u>3,107</u>

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 payment	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)

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**OVERVIEW** (Continued)

	Segment revenue For the six months ended September 30,		Segment results For the six months ended September 30,	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2018 RMB'000 (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.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

BUSINESS REVIEW (Continued)

INTERNET-BASED PROMOTION AND DISTRIBUTION (Continued)

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).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

BUSINESS REVIEW (Continued)

INTERNET-BASED PROMOTION AND DISTRIBUTION (Continued)

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		Segment margin	
	For the six months ended September 30,		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.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

BUSINESS REVIEW (Continued)

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.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

BUSINESS REVIEW (Continued)

INTEGRATED DEVELOPMENT (Continued)

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.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

BUSINESS REVIEW (Continued)

INTEGRATED DEVELOPMENT (Continued)

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.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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 RMB213 million or 44%. Comparing the two periods, operating revenue tended to be stabilized. 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.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

FINANCIAL REVIEW (Continued)

Material Investments (Continued)

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.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

FINANCIAL REVIEW (Continued)

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.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at September 30, 2019, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Hong Kong (the “SFO”)) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) were as follows:

Long positions in the shares and underlying shares of the Company

Name of Director	Long/Short Position	Nature of Interest	Number of Ordinary Shares held	Derivatives		Aggregate Interests	Approximate Percentage of Aggregate Interests to Total Issued Share Capital of the Company (Note 1)
				Share Options	Awarded Shares		
Chang Yang	Long position	Beneficial Owner	200,000	-	-	200,000	0.00%

Notes:

- Based on a total of 26,632,372,510 ordinary shares of the Company in issue as at September 30, 2019.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE (Continued)

Interests in the shares and underlying shares of Alibaba Group Holding Limited (“AGH”), an associated corporation of the Company within the meaning of Part XV of the SFO

Name of Director	Long/Short Position	Nature of Interest	American depository shares (“ADS(s)”) (in the Number of Ordinary Shares of AGH) (Note 2)	Derivatives		Aggregate Interests	Approximate Percentage of Aggregate Interests to Total Issued Share Capital of AGH (Note 1)
				Restricted Share Units (“RSU(s)”) (in the Number of Ordinary Shares of AGH) (Note 3)	Other (in the Number of Ordinary Shares of AGH) (Note 4)		
Fan Luyuan	Long Position	Beneficial owner	–	1,266,672 (Note 5)	–	7,852,192	0.04%
		Founder of a discretionary trust	1,066,664 (Note 6)	–	3,272,448 (Note 7)		
		Other	2,246,408 (Note 8)	–	–		
Meng Jun	Long Position	Beneficial owner	21,448 (Note 9)	78,600 (Note 10)	–	157,032	0.00%
		Interest of spouse	56,984 (Note 11)	–	–		
Zhang Yu	Long Position	Beneficial owner	130,352 (Note 12)	327,936 (Note 13)	–	458,288	0.00%
Chang Yang	Long Position	Beneficial owner	28,624 (Note 14)	157,000 (Note 15)	–	185,624	0.00%
Tong Xiaomeng	Long Position	Beneficial owner	941,176 (Note 16)	–	–	941,176	0.00%
Johnny Chen	Long Position	Beneficial owner	800 (Note 17)	–	–	800	0.00%

Notes:

- Based on a total of 20,828,567,944 ordinary shares of AGH in issue as at September 30, 2019.
- It represents the underlying share interest of ADSs of AGH held by the directors of the Company. Each ADS of AGH represents 8 ordinary shares of AGH with effect from July 30, 2019.
- It represents the underlying share interest of RSUs of AGH held by the directors of the Company. Each RSU represents the right to receive an ADS (i.e. 8 ordinary shares) of AGH upon its vesting.
- It represents the underlying share interest of exchangeable ordinary shares (“EOS(s)”) of PCIP I Limited (“PCIP I”), a consolidated entity of AGH, which are exchangeable into ordinary shares of AGH based on a 1:8 exchange ratio in accordance with the Articles of Association of PCIP I.
- It represents the underlying share interest of 158,334 RSUs of AGH held by Mr. Fan Luyuan.
- It represents the underlying share interest of 133,333 ADSs of AGH held by a discretionary trust of which Mr. Fan Luyuan is a founder who can influence how the trustee exercises his discretion.
- It represents the underlying share interest of 409,056 EOSs of PCIP I held by a discretionary trust of which Mr. Fan Luyuan is a founder who can influence how the trustee exercises his discretion.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE (Continued)

Notes: (Continued)

8. It represents the underlying share interest of 280,801 ADSs of AGH held by a trust, the beneficiaries of which include Mr. Fan Luyuan's children under the age of 18.
9. It represents the underlying share interest of 2,681 ADSs of AGH held by Mr. Meng Jun.
10. It represents the underlying share interest of 9,825 RSUs of AGH held by Mr. Meng Jun.
11. It represents the underlying share interest of 7,123 ADSs of AGH held by the spouse of Mr. Meng Jun.
12. It represents the underlying share interest of 16,294 ADSs of AGH held by Ms. Zhang Yu.
13. It represents the underlying share interest of 40,992 RSUs of AGH held by Ms. Zhang Yu.
14. It represents the underlying share interest of 3,578 ADSs of AGH held by Mr. Chang Yang.
15. It represents the underlying share interest of 19,625 RSUs of AGH held by Mr. Chang Yang.
16. It represents the underlying share interest of 117,647 ADSs of AGH held by Mr. Tong Xiaomeng.
17. It represents the underlying share interest of 100 ADSs of AGH held by Mr. Johnny Chen.

Interests in the shares and underlying shares of PCIP I, an associated corporation of the Company within the meaning of Part XV of the SFO

Name of Director	Long/Short Position	Nature of Interest	Number of EOSs of PCIP I held	Aggregate Interests	Approximate Percentage of Aggregate Interests to Total Issued EOSs of PCIP I (Note 1)
Fan Luyuan	Long Position	Founder of a discretionary trust	409,056 (Note 2)	409,056	3.67%

Notes:

1. Based on a total of 11,141,372 EOSs of PCIP I in issue as at September 30, 2019.
2. It represents 409,056 EOSs held by a discretionary trust of which Mr. Fan Luyuan is a founder who can influence how the trustee exercises his discretion.

Save as disclosed above, as at September 30, 2019, none of the directors nor chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE INCENTIVE SCHEMES

2012 Share Option Scheme

The shareholders of the Company approved the adoption of the share option scheme on June 11, 2012 (the “2012 Share Option Scheme”).

Movements of the Share Options granted by the Company pursuant to the 2012 Share Option Scheme during the six months ended September 30, 2019 were as follows:

Category	Date of grant	Exercise price per share (HK\$)	Closing price of shares immediately before the dates on which the Share Options were granted (HK\$)	Weighted average closing price of shares immediately before the dates on which the Share Options were exercised (HK\$)	Outstanding as at April 1, 2019	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as at September 30, 2019	Vesting period (Notes)
Employees	28/01/2015	1.670	1.650	-	2,100,000	-	-	-	-	2,100,000	1(i)
	13/04/2016	1.880	1.890	-	5,925,000	-	-	-	-	5,925,000	1(ii)
	03/06/2016	1.860	1.860	-	8,030,000	-	-	350,000	-	7,680,000	1(ii)
	05/12/2016	1.494	1.470	-	1,050,000	-	-	-	-	1,050,000	1(ii)
	05/12/2016	1.494	1.470	1.710	4,800,000	-	1,500,000	1,500,000	-	1,800,000	1(i)
	24/10/2017	1.276	1.270	-	7,700,000	-	-	-	-	7,700,000	1(ii)
	18/01/2018	1.060	1.070	-	6,200,000	-	-	-	-	6,200,000	1(i)
	21/05/2018	0.912	0.910	-	10,700,000	-	-	-	-	10,700,000	1(i)
	21/05/2018	0.912	0.910	1.500	65,600,000	-	2,050,000	4,800,000	-	58,750,000	1(ii)
	26/09/2018	1.020	1.010	-	16,800,000	-	-	-	-	16,800,000	1(i)
	26/09/2018	1.020	1.010	-	15,600,000	-	-	-	-	15,600,000	1(ii)
	31/05/2019	1.630	1.600	-	-	16,000,000	-	1,400,000	-	14,600,000	1(i)
	31/05/2019	1.630	1.600	-	-	52,392,500	-	700,000	-	51,692,500	1(ii)
	31/05/2019	1.630	1.600	-	-	3,600,000	-	-	-	3,600,000	1(iii)
	23/09/2019	1.340	1.320	-	-	1,400,000	-	-	-	1,400,000	1(i)
23/09/2019	1.340	1.320	-	-	19,800,000	-	-	-	19,800,000	1(ii)	
Total:					144,505,000	93,192,500	3,550,000	8,750,000	-	225,397,500	

SHARE INCENTIVE SCHEMES (Continued)

2012 Share Option Scheme (Continued)

Notes:

1. The Share Options granted under the 2012 Share Option Scheme are subject to a vesting schedule and can be exercised in the following manner:

(i) Category A

Vesting Date	Percentage that can be exercised
First vesting date (being second anniversary of employment commencement date)	Up to 50% of the Share Options granted
First anniversary of first vesting date	Up to 75% of the Share Options granted
Second anniversary of first vesting date	Up to all of the Share Options granted

The vesting period of the Share Options commences on the date of the relevant grantee's commencement of employment and the first vesting date falls on the second anniversary of the date of commencement of employment.

(ii) Category B

Vesting Date	Percentage that can be exercised
First vesting date (being first anniversary of promotion effective date or performance incentive effective date)	Up to 25% of the Share Options granted
First anniversary of first vesting date	Up to 50% of the Share Options granted
Second anniversary of first vesting date	Up to 75% of the Share Options granted
Third anniversary of first vesting date	Up to all of the Share Options granted

The vesting period of the Share Options commences on promotion effective date or performance incentive effective date and the first vesting date falls on the first anniversary of the date of commencement of the vesting period.

(iii) Category C

Vesting Date	Percentage that can be exercised
First vesting date (being second anniversary of March 19, 2019)	Up to 33.33% of the Share Options granted
Second anniversary of first vesting date	Up to 66.66% of the Share Options granted
Fourth anniversary of first vesting date	Up to all of the Share Options granted

The vesting period of the Share Options commences on March 19, 2019 and the first vesting date falls on the second anniversary of the date of commencement of the vesting period.

2. The period within which the Share Options must be exercised shall not be more than 10 years from the date of grant.

SHARE INCENTIVE SCHEMES (Continued)

Share Award Scheme

The Board approved the adoption of the share award scheme of the Company ("Share Award Scheme") on December 30, 2016 ("Adoption Date").

During the six months ended September 30, 2019, the movements of Awarded Shares granted under the Share Award Scheme were as follows:

Date of Grant	Total number of Awarded Shares granted on the date of grant	Closing price of shares immediately before the dates on which the Awarded Shares were granted (HK\$)	Number of Awarded Shares outstanding as at April 1, 2019	Number of Awarded Shares granted during the period	Number of Awarded Shares vested during the period	Number of Awarded Shares lapsed during the period	Number of Awarded Shares outstanding as at September 30, 2019
28/07/2017	183,060,000 (Notes 1 & 8)	1.310	24,808,500	-	9,397,000	1,572,000	13,839,500
27/10/2017	79,449,000 (Notes 2 & 8)	1.250	26,318,000	-	3,240,000	3,082,000	19,996,000
18/01/2018	18,320,000 (Notes 3 & 8)	1.070	14,720,000	-	2,920,000	1,200,000	10,600,000
21/05/2018	94,378,600 (Notes 4 & 8)	0.910	76,876,600	-	13,729,150	6,514,500	56,632,950
26/09/2018	50,120,000 (Notes 5 & 8)	1.010	44,120,000	-	-	2,640,000	41,480,000
31/05/2019	145,872,700 (Notes 6 & 8)	1.600	-	145,872,700	-	8,034,600	137,838,100
23/09/2019	35,870,000 (Notes 7 & 8)	1.320	-	35,870,000	-	-	35,870,000
Total:	607,070,300		186,843,100	181,742,700	29,286,150	23,043,100	316,256,550

Notes:

- Among these Awarded Shares, 2,000,000 Awarded Shares were granted to Ms. Zhang Wei, then-executive director of the Company, and a total of 22,266,500 Awarded Shares were granted to three directors of certain subsidiaries of the Company. The remaining 158,793,500 Awarded Shares were granted to 297 employees of the Company who are not connected persons of the Company.
- Among these Awarded Shares, 2,000,000 Awarded Shares were granted to Ms. Zhang Wei, then-executive director of the Company, and 1,100,000 Awarded Shares were granted to a director of certain subsidiaries of the Company. The remaining 76,349,000 Awarded Shares were granted to 302 employees of the Company who are not connected persons of the Company.
- These Awarded Shares were granted to 23 employees of the Company who are not connected persons of the Company.
- Among these Awarded Shares, 2,500,000 Awarded Shares were granted to Ms. Zhang Wei, then-executive director of the Company, and 1,200,000 Awarded Shares were granted to a director of certain subsidiaries of the Company. The remaining 90,678,600 Awarded Shares were granted to 326 employees of the Company who are not connected persons of the Company.
- These Awarded Shares were granted to 85 employees of the Company who are not connected persons of the Company.
- Among these Awarded Shares, 3,000,000 Awarded Shares were granted to a person who was a director of the Company within the last 12 months, and 2,400,000 Awarded Shares were granted to a director of certain subsidiaries of the Company. The remaining 140,472,700 Awarded Shares were granted to 377 employees of the Company who are not connected persons of the Company.
- These Awarded Shares were granted to 79 employees of the Company who are not connected persons of the Company.
- The Awarded Shares granted to each grantee have a specific vesting schedule of not more than 4 years, and the grantees are not required to pay for the grant/vesting/exercise of the Awarded Shares.

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed “Share Incentive Schemes” above, at no time during the six months ended September 30, 2019 was the Company, any of its holding companies, its subsidiaries or its fellow subsidiaries, a party to any arrangements to enable the directors or chief executive of the Company or their respective associates (as defined under the Listing Rules) to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at September 30, 2019, the following parties had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in shares and underlying shares of the Company

Name	Capacity in which interests are held	Number of shares/underlying shares held	Long position/ Short position	Approximate percentage of issued share capital ²
Ali CV Investment Holding Limited (“Ali CV”)	Beneficial owner ¹	13,488,058,846	Long position	50.65%
Alibaba Investment Limited (“AIL”)	Interest of controlled corporation ¹	13,488,058,846	Long position	50.65%
AGH	Interest of controlled corporation ¹	13,488,058,846	Long position	50.65%
Bian Ximing/Yang Minghua	Beneficial owner	1,384,380,000	Long position	5.20%

Notes:

- This represents the interest in 13,488,058,846 shares of the Company held by Ali CV as beneficial owner. As of September 30, 2019, Ali CV was wholly owned by AGH, through its controlled corporation, AIL. Accordingly, AGH and AIL were deemed to have the same interest held by Ali CV.
- As of September 30, 2019, the Company had a total of 26,632,372,510 shares in issue.

Save as disclosed above, as at September 30, 2019, there were no other parties who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the directors of the Company. All directors of the Company 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 September 30, 2019. 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.

USE OF PROCEEDS FROM ISSUE OF EQUITY SECURITIES

On June 11, 2015, the Company allotted and issued an aggregate of 4,199,570,000 new ordinary shares (the "Placing Share(s)") with total nominal value of HK\$1,049,892,500 in the capital of the Company to no less than six places at the placing price of HK\$2.90 per Placing Share (the "Placing"). The Directors considered that the Placing represented an opportunity to raise funds for the Company for its business development and to broaden its shareholder base. The closing price of the shares of the Company as quoted on the Stock Exchange was HK\$3.62 on June 3, 2015, being the date on which the terms of the Placing were fixed. The net placing price (after deduction of the commissions and expenses relating to the Placing and exclusive of brokerage) was approximately HK\$2.89 per Placing Share and the net proceeds from the Placing (after deduction of commissions and expenses related to the Placing) amounted to HK\$12.1 billion, which would be used as general working capital and finance potential acquisitions for future media-related investment opportunities.

As at April 1, 2019, the balance of net proceeds from the Placing amounted to approximately RMB900 million. For the six months ended September 30, 2019, RMB900 million was used to fund working capital. The use or intended use of proceeds is in line with the plan previously disclosed. As at September 30, 2019, all proceeds from the Placing had been fully utilised.

On March 5, 2019, the Company allotted and issued 1,000,000,000 new ordinary shares of the Company (the "Subscription Share(s)") with total nominal value of HK\$250,000,000 in the capital of the Company to Ali CV as the subscriber at the subscription price of HK\$1.25 per Subscription Share (the "Subscription"). The Directors considered that the Subscription would further strengthen the collaboration between the Company and Alibaba Group's other media content and distribution businesses and lay down a more solid foundation for the Company's future business development. The closing price of the shares of the Company as quoted on the Stock Exchange was HK\$1.23 on December 8, 2018, being the last trading day immediately prior to the date on which the terms of the Subscription were fixed. The net proceeds, after deduction of all relevant expenses incidental to the Subscription, were estimated to be approximately HK\$1,247,500,000 and the net subscription price per Subscription Share was approximately HK\$1.25. The net proceeds from the Subscription would mainly be used for content investment, the further expanding of customer base, sales and marketing activities, selective mergers and acquisitions when opportunities arise, and general corporate purposes. As at September 30, 2019, the net proceeds from the Subscription had not been utilised and are expected to be fully utilised within 5 years.

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.

CHANGES IN, AND UPDATES TO, PREVIOUSLY DISCLOSED INFORMATION RELATING TO THE DIRECTORS

Upon specific enquiry by the Company and following confirmations from the directors of the Company, there was no change in, and update to, the information regarding the directors of the Company required to be disclosed pursuant to rule 13.51B(1) of Listing Rules as at the date of this report.

MATERIAL CHANGES SINCE MARCH 31, 2019

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

SUBSEQUENT EVENTS

Save as disclosed in this report and as at the date of this report, no material events affecting the Group had occurred subsequent to September 30, 2019.

AUDIT COMMITTEE AND AUDITOR REVIEW

The audit committee of the Company has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial statements for the six months ended September 30, 2019. The figures in respect of the Group's interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income, interim condensed consolidated balance sheet, interim condensed consolidated statement of changes in equity, interim condensed consolidated statement of cash flows and the related notes thereto for the six months ended September 30, 2019 as set out in this report have not been audited but have been reviewed by the Company's auditor, PricewaterhouseCoopers.

On behalf of the Board

Alibaba Pictures Group Limited

Fan Luyuan

Chairman & Chief Executive Officer

Hong Kong, November 27, 2019