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阿里巴巴·影业集团™
Alibaba·Pictures

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

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

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED MARCH 31, 2019

The board of directors (the "Board") of Alibaba Pictures Group Limited ("Alibaba Pictures" or the "Company") announces that the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended March 31, 2019 together with the comparative figures for the fifteen months ended March 31, 2018 were as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	For the year ended March 31, 2019 *RMB'000*	For the fifteen months ended March 31, 2018 *RMB'000*
Revenue	3	**3,033,844**	3,302,783
Cost of sales and services	6	**(1,267,681)**	(962,954)
Gross profit		**1,766,163**	2,339,829
Selling and marketing expenses	6	**(1,579,233)**	(3,222,608)
Administrative expenses	6	**(896,785)**	(968,885)
Net reversal of impairment losses on financial assets	6	**21,802**	–
Other income	4	**27,668**	122,037
Other gains, net	5	**163,389**	116,574
Operating loss		**(496,996)**	(1,613,053)
Finance income	7	**251,136**	107,691
Finance expenses	7	**(19,072)**	(291,564)
Finance income/(expenses), net		**232,064**	(183,873)
Share of loss of and gain on dilution of investments accounted for using the equity method	10	**(15,955)**	37,279
Loss before income tax		**(280,887)**	(1,759,647)
Income tax expense	8	**(15,063)**	(35,313)
Loss for the year/period		**(295,950)**	(1,794,960)
Loss attributable to:			
Owners of the Company		**(253,570)**	(1,658,647)
Non-controlling interests		**(42,380)**	(136,313)
Loss per share for loss attributable to owners of the Company for the year/period *(expressed in RMB cents per share)*	9		
– Basic		**(1.00)**	(6.56)
– Diluted		**(1.00)**	(6.56)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended March 31, 2019 *RMB'000*	For the fifteen months ended March 31, 2018 *RMB'000*
Loss for the year/period	**(295,950)**	(1,794,960)
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss		
Currency translation differences	**40,372**	(136,355)
Change in the fair value of available-for-sale financial assets, net of tax	**–**	(8,936)
Other comprehensive income/(loss) for the year/period, net of tax	**40,372**	(145,291)
Total comprehensive loss for the year/period	**(255,578)**	(1,940,251)
Attributable to:		
– Owners of the Company	**(213,583)**	(1,803,634)
– Non-controlling interests	**(41,995)**	(136,617)
Total comprehensive loss for the year/period	**(255,578)**	(1,940,251)

CONSOLIDATED BALANCE SHEET

	Note	As at March 31 2019 RMB'000	2018 RMB'000
Assets			
Non-current assets			
Property, plant and equipment		**200,956**	232,378
Goodwill		**3,586,047**	3,546,504
Intangible assets		**165,803**	158,400
Deferred income tax assets		**419**	419
Investments accounted for using the equity method	10	**2,401,989**	2,387,742
Available-for-sale financial assets	2.2	**–**	52,000
Bank deposits with the maturity over one year		**50,000**	–
Financial assets at fair value through profit or loss	2.2, 11	**1,954,542**	1,122,587
Trade and other receivables, and prepayments	12	**721,292**	111,250
		9,081,048	7,611,280
Current assets			
Inventories		**660**	756
Film and TV rights and investments		**1,325,468**	990,145
Trade and other receivables, and prepayments	12	**1,824,918**	1,156,370
Current income tax recoverable		**6,353**	575
Available-for-sale financial assets	2.2	**–**	666,992
Financial assets at fair value through profit or loss	2.2, 11	**190,017**	–
Cash and cash equivalents		**3,341,470**	1,685,719
Bank deposits with the maturity over three months		**828,872**	2,740,707
Restricted cash		**18,977**	17,719
		7,536,735	7,258,983
Assets classified as held-for-sale		**–**	112,320
		7,536,735	7,371,303
Total assets		**16,617,783**	14,982,583

		As at March 31	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Liabilities			
Non-current liabilities			
Borrowings	14	**712,310**	23,311
Deferred income tax liabilities		**42,994**	37,426
Finance lease liabilities		**3,864**	11,986
Trade and other payables, and accrued charges	13	**6,000**	–
		765,168	72,723
Current liabilities			
Trade and other payables, and accrued charges	13	**832,457**	794,247
Contract liabilities		**54,528**	–
Borrowings	14	**5,000**	3,000
Finance lease liabilities		**8,435**	7,979
		900,420	805,226
Liabilities directly associated with assets classified as held-for-sale		**–**	7,735
		900,420	812,961
Total liabilities		**1,665,588**	885,684
Equity			
Equity attributable to owners of the Company			
Share capital		**5,377,988**	5,131,405
Reserves		**9,478,455**	8,845,292
		14,856,443	13,976,697
Non-controlling interests		**95,752**	120,202
Total equity		**14,952,195**	14,096,899
Total equity and liabilities		**16,617,783**	14,982,583

Notes:

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, intellectual property licensing and integrated management, cinema ticketing management and data services for the entertainment industry.

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

The Company has its primary listing on The Stock Exchange of Hong Kong Limited (the "HK Stock Exchange") and secondary listing on the Singapore Exchange Securities Trading Limited. As at March 31, 2019, the Company was approximately 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 ("AGHL").

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

2.1 Basis of preparation

On December 12, 2017, the Company changed the financial year end date from December 31 to March 31 to coincide with the natural business cycle of certain business lines of the Group, including its online movie ticketing services and entertainment content promotion and distribution business. Accordingly, the current financial year covers a 12 months period from April 1, 2018 to March 31, 2019 with the comparative fifteen months period from January 1, 2017 to March 31, 2018.

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets which are carried at fair value.

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

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

The Group has adopted the following new standards, amendments to standards and interpretations which are mandatory for the financial year beginning on April 1, 2018:

- HKFRS 9 'Financial Instruments'
- HKFRS 15 'Revenue from Contracts with Customers'
- HKFRS 2 (Amendments) 'Classification and measurement of share-based payment transactions'
- Annual improvements project: Annual Improvements 2014-2016 cycle
- HK(IFRIC)-Int 22 'Foreign currency transactions and advance consideration'

The impact upon the adoption of HKFRS 9 and HKFRS 15 is disclosed in Note 2.2 below.

The adoption of the other amendments to standards and interpretations which were effective for the financial year beginning on April 1, 2018 did not have material impact to the Group.

(b) *New standards and amendments not yet adopted*

The following new standards and amendments to existing standards have been issued and are mandatory for annual periods beginning on or after January 1, 2019 or later periods, and the Group has not early adopted them:

New standards and amendments	**Effective date**
• HKFRS 16 'Leases'	Annual periods beginning on or after January 1, 2019
• HK(IFRIC)-Int 23 'Uncertainty over income tax treatments'	Annual periods beginning on or after January 1, 2019
• Amendments to HKAS 19 'Employee benefits or plan amendment, curtailment or settlement'	Annual periods beginning on or after January 1, 2019
• Annual improvements project: Annual Improvements to HKFRS Standards 2015-2017 cycle	Annual periods beginning on or after January 1, 2019
• Amendments to HKFRS 3 'Definition of a business'	Annual periods beginning on or after January 1, 2020
• Amendments to HKAS 1 and HKAS 8 'Definition of material'	Annual periods beginning on or after January 1, 2020
• Amendments to HKAS 28 'Long term interests in associates and joint ventures'	Annual periods beginning on or after January 1, 2019
• Amendments to HKFRS 9 'Prepayment features with negative compensation'	Annual periods beginning on or after January 1, 2019

None of these standards and amendments to standards is expected to have a significant effect on the financial information of the Group, except for the following:

HKFRS 16, 'Leases'

Nature of change

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

The accounting for lessors will not significantly change.

Impact

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last financial year in light of the new lease accounting rules of HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at the reporting date, the Group has certain non-cancellable operating lease commitments. The Group expects total assets and total liabilities will increase not more than 3% and 30% as at April 1, 2019.

Date of adoption by the Group

Mandatory for financial years commencing on or after April 1, 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. All right-of-use assets will be measured at the amount of the lease liabilities on adoption (adjusted for any prepaid or accrued lease expenses).

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 'Financial Instruments' and HKFRS 15 'Revenue from Contracts with Customers' on the Group's consolidated financial statements.

(a) Impact on the consolidated financial statements

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

The Group has adopted HKFRS 15 using the modified retrospective approach and has not restated comparatives for the fifteen months ended March 31, 2018.

The following tables show the adjustments recognized for each individual line item. Line items that were not affected by the changes have not been included.

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

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

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

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

The adoption of HKFRS 9 'Financial Instruments' from April 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements.

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

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

(i) Classification and measurement

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

	Note	FVTPL – Current *RMB'000*	FVTPL – Non-current *RMB'000*	Available-for-sale financial assets *RMB'000*
Closing balance at March 31, 2018		**–**	**1,122,587**	**718,992**
Reclassify debts instruments from available-for-sale financial assets to FVTPL	(1)	**666,992**	**–**	**(666,992)**
Reclassify equity instruments from available-for-sale financial assets to FVTPL	(1)	**–**	**52,000**	**(52,000)**
Opening balance at April 1, 2018		**666,992**	**1,174,587**	**–**

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

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

Note:

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

The Group's debts investments in wealth management products and unlisted equity investments were reclassified from available-for-sale financial assets to FVTPL (RMB666,992,000 and RMB52,000,000, respectively, as at April 1, 2018). Related fair value gains of RMB915,000 were transferred from the investment revaluation reserve to accumulated losses on April 1, 2018.

(ii) *Impairment of financial assets*

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

- Trade receivables
- Other receivables

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

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

Trade receivables

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

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

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments over a certain period after the due date.

Other receivables

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition by considering available, reasonable and supportive forwarding-looking information.

The Group has applied the expected credit loss model to other receivables as at April 1, 2018 and the change in impairment methodologies did not have any material impact on the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

(c) *HKFRS 15 'Revenue from Contracts with Customers' – Impact of adoption*

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

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

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

3. 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 year ended March 31, 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.

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	For the year ended March 31, 2019			
	Internet-based promotion and distribution	**Content production**	**Integrated development**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Segment revenue				
– recognized at a point in time	**1,521,546**	**458,875**	**85,364**	**2,065,785**
– recognized over time	**942,096**	**–**	**–**	**942,096**
	2,463,642	**458,875**	**85,364**	**3,007,881**
Income from film and TV investments	**–**	**–**	**25,963**	**25,963**
Total Segment revenue	**2,463,642**	**458,875**	**111,327**	**3,033,844**

	For the fifteen months ended March 31, 2018			
	Internet-based promotion and distribution	Content production	Integrated development	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	2,658,579	585,444	58,760	3,302,783

	For the year ended March 31, 2019			
	Internet-based promotion and distribution *RMB'000*	**Content production** *RMB'000*	**Integrated development** *RMB'000*	**Total** *RMB'000*
Segment revenue	**2,463,642**	**458,875**	**111,327**	**3,033,844**
Segment results	**387,761**	**(221,083)**	**67,337**	**234,015**
Unallocated selling and marketing expenses				**(47,085)**
Administrative expenses				**(896,785)**
Net reversal of impairment losses on financial assets				**21,802**
Other income				**27,668**
Other gains, net				**163,389**
Finance income				**251,136**
Finance expenses				**(19,072)**
Share of loss of investments accounted for using the equity method				**(15,955)**
Loss before income tax				**(280,887)**

	For the fifteen months ended March 31, 2018			
	Internet-based promotion and distribution	Content production	Integrated development	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	2,658,579	585,444	58,760	3,302,783
Segment results	(882,538)	7,958	32,690	(841,890)
Unallocated selling and marketing expenses				(40,889)
Administrative expenses				(968,885)
Other income				122,037
Other gains, net				116,574
Finance income				107,691
Finance expenses				(291,564)
Share of loss of and gain on dilution of investments accounted for using the equity method				37,279
Loss before income tax				(1,759,647)

During the year ended March 31, 2019 and the fifteen months ended March 31, 2018, all of the segment revenue reported above is from external customers and there were no inter-segment sales.

Segment results represent the gross profit generated 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.

Most of the Group's segment revenues are derived from the PRC except certain revenue from the content production segment.

During the year ended March 31, 2019 and the fifteen months ended March 31, 2018, none of the Group's customers accounted for 10% or more of the Group's total revenue.

4. Other income

	For the year ended March 31, 2019 *RMB'000*	For the fifteen months ended March 31, 2018 *RMB'000*
Compensation income	**12,000**	–
Local government grants	**7,251**	11,736
Interest income on loan receivable	**6,188**	–
Investment income on investment in wealth management products *(Note)*	**–**	99,931
Sundry income	**2,229**	10,370
	27,668	122,037

Note:

Investment in wealth management products were classified as financial assets at FVTPL for the year ended March 31, 2019, and as available-for-sale financial assets as at and for the fifteen months ended March 31, 2018.

For the year ended March 31, 2019, investment income on investment in wealth management products includes realized gains of RMB49,663,000 and unrealized gains of RMB1,317,000, both of which are recognized as 'other gains, net' in the consolidated statements of profit or loss (Note 5).

5. Other gains, net

	For the year ended March 31, 2019 *RMB'000*	For the fifteen months ended March 31, 2018 *RMB'000*
Change in fair value of investment in convertible bonds *(Note 11)*	**57,913**	116,917
Change in fair value of investments in wealth management products *(Note 11)*	**50,980**	–
Change in fair value of unlisted investments *(Note 11)*	**18,487**	–
Gain on disposal of a subsidiary	**16,914**	–
Gain on disposal of investment in an associate *(Note 10)*	**23,422**	–
Net (loss)/gain on disposal of property, plant and equipment	**(2,949)**	346
Others	**(1,378)**	(689)
	163,389	116,574

6. Expenses by nature

	For the year ended March 31, 2019 *RMB'000*	For the fifteen months ended March 31, 2018 *RMB'000*
Amortization and impairment of film and TV rights *(Note)*	**974,656**	686,875
Cost of inventories, cinema ticketing and intellectual property licenses and other services recognized as cost of sales and services	**138,849**	134,243
Marketing and promotion expenses	**1,579,233**	3,208,022
Employee benefit expenses	**543,107**	671,559
Depreciation and amortization	**95,267**	82,199
Payment processing and other service fees	**97,966**	81,806
Operating lease payments	**80,724**	76,216
Travel and entertainment fees	**38,609**	39,505
Technology service fees	**51,488**	29,145
Impairment loss on goodwill	**21,000**	–
Net (reversal of impairment losses)/provision for financial assets	**(21,802)**	28,591
SMS platform service and customer services support fees	**16,814**	21,344
Auditor's remunerations		
– Audit services	**4,400**	3,686
– Non-Audit services	**300**	570
Others	**101,286**	90,686
Total cost of sales and services, selling and marketing expenses, administrative expenses and net reversal of impairment losses on financial assets	**3,721,897**	5,154,447

Note:

Amount included an impairment loss on film and TV rights of RMB29,149,000 for the year ended March 31, 2019 (The fifteen months ended March 31, 2018: RMB42,176,000).

7. Finance income and expenses

	For the year ended March 31, 2019 *RMB'000*	For the fifteen months ended March 31, 2018 *RMB'000*
Finance income		
– Exchange gain, net	**166,082**	–
– Interest income on bank deposits	**85,054**	107,691
	251,136	107,691
Finance expenses		
– Interest expenses on bank borrowings and finance lease liabilities	**(19,072)**	(12,877)
– Exchange loss, net	**–**	(278,687)
	(19,072)	(291,564)
Finance income/(expenses), net	**232,064**	(183,873)

8. Income tax expense

	For the year ended March 31, 2019 *RMB'000*	For the fifteen months ended March 31, 2018 *RMB'000*
Current income tax	**12,745**	37,237
Deferred income tax	**2,318**	(1,924)
	15,063	35,313

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 fifteen months ended March 31, 2018: 25%) on the assessable income of each of the group companies, except that: (1) one subsidiary of the Company is taxed at preferential tax rates of 15% (The fifteen months ended March 31, 2018: 15%) from January 1, 2016 to December 31, 2018 under the relevant PRC tax rules and regulations; and (2) one subsidiary of the Company which is incorporated in Horgos is exempted from income taxes from its date of incorporation to December 31, 2020 according to the relevant PRC tax rules and regulations.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the year ended March 31, 2019. For the fifteen months ended March 31, 2018, no provision for Hong Kong profit tax has been made as the group companies operating in Hong Kong did not have any assessable profit.

No provision for the USA profit tax has been made as the group companies operating in the USA did not have any assessable profit for current year and prior period.

9. Loss per share

	For the year ended March 31, 2019	For the fifteen months ended March 31, 2018
Basic/diluted loss per share (RMB cents)	**(1.00)**	(6.56)

(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 year/period.

	For the year ended March 31, 2019	For the fifteen months ended March 31, 2018
Loss attributable to owners of the Company (RMB'000)	**(253,570)**	(1,658,647)
Weighted average number of ordinary shares in issue less shares held for share award scheme (thousands)	**25,401,893**	25,267,538

(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 potential ordinary shares. The Company has two categories of potential ordinary shares during the year ended March 31, 2019 and the fifteen months ended March 31, 2018, which are share options and unvested awarded shares.

The computation of diluted loss per share for the year ended March 31, 2019 and the fifteen months ended March 31, 2018 did not assume the issuance of any potential ordinary share since they are antidilutive, which would decrease the loss per share.

10. Investments accounted for using the equity method

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

	For the year ended March 31, 2019 *RMB'000*	For the fifteen months ended March 31, 2018 *RMB'000*
At beginning of the year/period	**2,387,742**	2,280,839
Additions	**18,511**	201,828
Disposal of investment in an associate *(Note a)*	**(16,578)**	(38,403)
Refund of investments in an associate	**–**	(50,000)
Share of loss of investments *(Note b)*	**(15,955)**	(41,689)
Gain on dilution of interest in an associate	**–**	78,968
Currency translation differences	**28,269**	(43,801)
At ending of the year/period	**2,401,989**	2,387,742

Notes:

(a) During the year ended March 31, 2019, the Group disposed all of the equity interests in Shanghai Xiying Culture Communication Limited Company for a cash consideration of RMB40,000,000. The carrying value of the equity interest disposed of was RMB16,578,000. Consequently, the Group recorded a disposal gain of RMB23,422,000 in the consolidated statement of profit or loss for the year ended March 31, 2019 (Note 5).

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

The financial year end date of the Group is March 31, which is different from that of the associates and joint ventures of the Group. The financial information of the Group's associates and joint ventures as at March 31, 2019 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 year ended March 31, 2019.

(c) The Board of Directors of the Company is of the view that none of the Group's associates or joint ventures is individually material to the Group as at March 31, 2019.

11. Financial assets at fair value through profit or loss

(a) Classification of financial assets at fair value through profit or loss

The Group classifies the following financial assets at fair value through profit or loss:

- debt investments that do not qualify for measurement at either amortized cost or fair value through other comprehensive income, and

- equity investments for which the entity has not elected to recognize fair value gains and losses through other comprehensive income.

Financial assets measured at FVTPL include the following:

	As at March 31	
	2019	2018
	RMB'000	*RMB'000*
Non-current assets		
Unlisted investments *(Note i)*	**793,542**	–
Investment in convertible bonds *(Note ii)*	**1,161,000**	1,122,587
	1,954,542	1,122,587
Current assets		
Investments in wealth management products *(Note i)*	**190,017**	–
	2,144,559	1,122,587

Notes:

(i) See Note 2.2 for explanations regarding the change in accounting policy and the reclassification of certain investments from available-for-sale to financial assets at FVTPL following the adoption of HKFRS 9.

(ii) The balance represents the investment in convertible bonds issued by Dadi Cinema (HK) Limited ("Dadi"), a subsidiary of Nan Hai Corporation Limited (shares of which are listed on the HK Stock Exchange), which are compound instruments and designated as financial assets at fair value through profit or loss.

The issuance of the convertible bonds was completed on June 15, 2016 (the "Issue Date") with principal amount of RMB1,000,000,000. The convertible bonds bear interest at 1.95% per annum and have a conversion period of three years (the "Conversion Period").

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

In terms of redemption, the Group can, at any time after the second anniversary of the Issue Date, require Dadi to redeem all the convertible bonds outstanding at an amount which yields an internal rate of return of 5.50% per annum on the subscription amount paid by the Group (the "Redemption Price"). Upon maturity of the Conversion Period, Dadi will redeem all the convertible bonds outstanding (which have not been redeemed or converted) at the Redemption Price.

As at the March 31, 2019 and March 31, 2018, the fair value of the convertible bonds is determined by an independent qualified valuer engaged by the Group.

For the debt component of the convertible bonds, the fair value is derived as the present value of contractual determined stream of future cash flows discounted at the discount rate of 12% (as at March 31, 2018) and 12% (as at March 31, 2019), respectively.

For the conversion right of the convertible bonds, the fair value was determined using the binomial model, and the inputs adopted in the model as at the March 31, 2018 and March 31, 2019 include risk free rate of 1.506% and 1.768%, remaining life of 1.2 years and 0.2 years, and volatility of 35% and 30% respectively. Risk free rate is based on the yield of Hong Kong government bond with a similar maturity of the convertible bonds, plus country risk differential and converted into continuously compounded. Volatility is calculated with reference to comparable companies' historical share price movement matching the period of the contractual life of the convertible bonds.

(b) Amounts recognized in profit or loss

During the year/period, the following gains were recognized in the consolidated statements of profit or loss:

	For the year ended March 31, 2019 *RMB'000*	For the fifteen months ended March 31, 2018 *RMB'000*
Fair value gains on unlisted investments *(Note 5)*	**18,487**	–
Fair value gains on investment in convertible bonds *(Note 5)*	**57,913**	116,917
Fair value gains on investments in wealth management products *(Note 5)*	**50,980**	–

12. Trade and other receivables, and prepayments

	As at March 31, 2019			As at March 31, 2018		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables *(Note a)*						
– Related parties	**240,522**	**–**	**240,522**	106,134	–	106,134
– Third parties	**990,243**	**–**	**990,243**	513,142	–	513,142
Less: allowance for impairment of trade receivables	**(32,583)**	**–**	**(32,583)**	(26,522)	–	(26,522)
Trade receivables – net	**1,198,182**	**–**	**1,198,182**	592,754	–	592,754
Prepaid film deposits	**70,000**	**20,000**	**90,000**	–	90,000	90,000
Prepayments to related parties	**3,044**	**–**	**3,044**	29,627	–	29,627
Prepayments for investment in film and TV rights	**–**	**–**	**–**	11,560	–	11,560
Other prepayments	**18,728**	**–**	**18,728**	16,930	4,397	21,327
Other receivables arising from:						
– Receivables from related parties	**71,595**	**–**	**71,595**	24,217	–	24,217
– Loan receivable *(Note b)*	**–**	**700,000**	**700,000**	–	–	–
– Receivables in relation to film and TV investments	**128,885**	**–**	**128,885**	243,587	–	243,587
– Deductible VAT input	**107,205**	**–**	**107,205**	70,084	–	70,084
– Deposits receivables	**86,814**	**–**	**86,814**	26,651	–	26,651
– Refund receivable in relation to the restructuring of an associate	**38,883**	**–**	**38,883**	100,370	–	100,370
– Receivables in respect of reimbursement of distribution expenses	**36,935**	**–**	**36,935**	41,797	–	41,797
– Interest receivable	**20,873**	**–**	**20,873**	17,259	–	17,259
– Refundable film rights cost	**–**	**–**	**–**	4,900	–	4,900
– Others	**85,360**	**1,292**	**86,652**	46,083	16,853	62,936
Less: allowance for impairment of prepayments and other receivables	**(41,586)**	**–**	**(41,586)**	(69,449)	–	(69,449)
Other receivables and prepayments – net	**626,736**	**721,292**	**1,348,028**	563,616	111,250	674,866
Total trade and other receivables, and prepayments	**1,824,918**	**721,292**	**2,546,210**	1,156,370	111,250	1,267,620

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

Notes:

(a) Trade receivables

The normal credit period granted to the debtors of the Group is generally ranging 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 debtor. Credit limits granted to debtors are reviewed regularly.

The directors of the Company will assess whether allowance on these receivables is necessary on a regular basis after considering (i) the reputation and trading history of these debtors; (ii) industry practice in settlement; and (iii) subsequent settlement amounts.

The following is an aging analysis of trade receivables based on recognition date:

	As at March 31, 2019	As at March 31, 2018
	RMB'000	*RMB'000*
0 – 90 days	**442,768**	327,501
91 – 180 days	**328,826**	183,997
181 – 365 days	**149,897**	28,707
Over 365 days	**309,274**	79,071
	1,230,765	619,276

(b) Loan receivable

In February 2019, the Group lent RMB700,000,000 to Huayi Brothers Media Corporation ("Huayi Brothers"), a third party of the Group, which bears an interest rate at the People's Bank of China 5-year base lending rate with a maturity of five years. The loan receivable is secured by pledge of equity interest in a subsidiary of Huayi Brothers, rights to receive investment return under a fund invested by Huayi Brothers, certain properties held by two major shareholders of Huayi Brothers, as well as unlimited joint and several guarantees provided by two major shareholders of Huayi Brothers.

13. Trade and other payables, and accrued charges

	As at March 31, 2019			As at March 31, 2018
	Current	**Non-current**	**Total**	Current
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*
Trade payables *(Note a)*				
– Related parties	**63,553**	**–**	**63,553**	63,236
– Third parties	**93,778**	**–**	**93,778**	52,353
	157,331	**–**	**157,331**	115,589
Other payables and accrued charges:				
Amounts due to related parties	**102,857**	**–**	**102,857**	81,532
Payables in relation to distribution of films	**115,599**	**–**	**115,599**	22,279
Payables in relation to film and TV investments	**86,920**	**–**	**86,920**	205,987
Accrued marketing expense	**79,431**		**79,431**	48,461
Payroll and welfare payable	**75,256**	**–**	**75,256**	69,269
Other tax payable	**59,555**	**–**	**59,555**	32,574
Payables in relation to rental and property management fee	**43,961**	**–**	**43,961**	25,423
Professional fees payable	**16,019**	**–**	**16,019**	12,336
Deposits from customers	**15,198**	**–**	**15,198**	20,946
Amounts received on behalf of cinemas	**7,996**	**–**	**7,996**	34,120
Consideration payable for acquisition of a subsidiary	**4,000**	**6,000**	**10,000**	–
Amounts received on behalf of cinema ticketing system providers	**3,702**	**–**	**3,702**	50,510
Interest payable	**3,671**	**–**	**3,671**	132
Payables for property, plant and equipment	**–**	**–**	**–**	961
Advance from customers	**–**	**–**	**–**	31,658
Others	**60,961**	**–**	**60,961**	42,470
	675,126	**6,000**	**681,126**	678,658
Total trade and other payables, and accrued charges	**832,457**	**6,000**	**838,457**	794,247

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

Note:

(a) Trade payables

As at March 31, 2019 and March 31, 2018, the aging analysis of the trade payables based on invoice date is as follows:

	As at March 31, 2019 *RMB'000*	As at March 31, 2018 *RMB'000*
0 – 90 days	**116,196**	93,967
91 – 180 days	**25,000**	13,286
181 – 365 days	**1,789**	243
Over 365 days	**14,346**	8,093
	157,331	115,589

14. Borrowings

	As at March 31, 2019 *RMB'000*	As at March 31, 2018 *RMB'000*
Unsecured		
Current	**5,000**	3,000
Non-Current	**712,310**	23,311
	717,310	26,311

As at March 31, 2019 and March 31, 2018, the Group's bank borrowings are denominated in the following currencies:

	As at March 31, 2019 *RMB'000*	As at March 31, 2018 *RMB'000*
RMB-denominated	**45,000**	26,311
USD-denominated *(Note a)*	**672,310**	–
	717,310	26,311

As at March 31, 2019 and March 31, 2018, the Group's bank borrowings are repayable as follows:

	As at March 31, 2019	As at March 31, 2018
	RMB'000	*RMB'000*
Within 1 year	**5,000**	3,000
Between 1 and 2 years	**10,000**	5,000
Between 2 and 5 years	**702,310**	18,311
	717,310	26,311

Movements in borrowings are analyzed as follows:

	For the year ended March 31, 2019			For the fifteen months ended March 31, 2018		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Opening balance	**3,000**	**23,311**	**26,311**	1,980,000	–	1,980,000
Repayments of bank borrowings	**(3,000)**	**–**	**(3,000)**	(1,980,000)	–	(1,980,000)
Proceeds from bank borrowings	**5,000**	**701,921**	**706,921**	3,000	23,311	26,311
Effect of changes in exchange rate	**–**	**(12,922)**	**(12,922)**	–	–	–
Closing balance	**5,000**	**712,310**	**717,310**	3,000	23,311	26,311

Notes:

(a) As at March 31, 2019, a wholly-owned subsidiary of the Company had US dollar-denominated long-term borrowings of US$100,000,000, which bear an interest of 3.75% per annum and has a maturity of four years. The Company has provided a guarantee in favor of the subsidiary to the relevant bank in relation to these borrowings.

The Group has complied with the financial covenants as stipulated in the loan agreement during the year ended March 31, 2019.

(b) The fair value of the current and non-current borrowings approximates their carrying amount, as the impact of discounting is not significant.

15. Dividends

The Board of the Directors of the Company has resolved not to recommend the payment of a dividend for the year ended March 31, 2019 (For the fifteen months ended March 31, 2018: nil).

DIVIDENDS

The Board has resolved not to recommend the payment of a dividend for the year ended March 31, 2019 (For the fifteen months ended March 31, 2018: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

During the twelve months ended March 31, 2019 (the "Reporting Period"), the Group's business grew steadily with a positive improvement in operating profit and a significant reduction in net loss. During the Reporting Period, the Group recorded revenue of RMB3,034 million, compared with RMB2,775 million for the twelve months ended March 31, 2018 (the "Previous Period"), representing a growth of 9%. Operating loss narrowed from RMB1,160 million in the Previous Period to RMB497 million for the Reporting Period, representing a reduction of RMB663 million year-over-year. Net loss attributable to the parent company narrowed from RMB1,245 million in the Previous Period to RMB254 million for the Reporting Period, representing a significant reduction of RMB991 million year-over-year. For comparison purposes, major indicators of financial results for the Reporting Period and the Previous Period are summarized in the tables below:

	For the twelve months ended March 31, 2019	For the twelve months ended March 31, 2018
	RMB'000	*RMB'000*
		(unaudited)
Revenue	**3,033,844**	2,775,441
Gross profit	**1,766,163**	1,926,852
Selling and marketing expenses	**(1,579,233)**	(2,528,256)
Administrative expenses	**(896,785)**	(794,540)
Operating loss	**(496,996)**	(1,159,584)
Finance income/(expenses), net	**232,064**	(164,443)
Share of loss of and gain on dilution of investments accounted for using the equity method	**(15,955)**	37,279
Income tax expense	**(15,063)**	(27,611)
Loss attributable to owners of the Company	**(253,570)**	(1,244,714)

	Segment revenue Twelve months ended March 31		Segment results Twelve months ended March 31	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(unaudited)		(unaudited)
Internet-based promotion and distribution	**2,463,642**	2,178,517	**387,761**	(598,352)
Content production	**458,875**	556,354	**(221,083)**	5,761
Integrated development	**111,327**	40,570	**67,337**	32,076
Total	**3,033,844**	2,775,441	**234,015**	(560,515)

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 content co-investment.

Not only is Tao Piao Piao the Group's ticketing and review platform that targets common consumers, it is also one of the key platforms through which it provides ticketing services to cinemas. Building on the vast user base already accumulated and its interaction with them, Tao Piao Piao further consolidated its market share and delivered steady growth during the Reporting Period, making itself one of the largest ticketing and review platforms in the PRC. Further, Tao Piao Piao also represents a foothold for the Group's endeavor in digital promotion and distribution. By fully utilizing its advantages in platform-based resources, Tao Piao Piao concentrates on film promotion with a focus on premium contents to help extend the reach of films to potential audience. Tao Piao Piao has now become one of the preferred partners for promotion and distribution among domestic and international film producers.

Yunzhi, the Group's open platform of digital operation and management targeting cinemas, has developed a comprehensive portfolio of cloud-based smart solutions for its cinema users using new technologies and new retail methods. By linking online services with offline experience, Yunzhi helps cinemas reduce cost, enhance efficiency, grow revenue and increase empowerment. As at the date of this announcement, Yunzhi (in aggregate with another cinema ticketing system to which it is connected) already formed partnership with nearly 3,500 cinemas in the PRC, ranking first among peers in terms of the number of contracted cinemas. Further, the Group also officially launched its three "100 Plans" targeting cinemas in April 2019, under which Yunzhi will supply 100 super showrooms, 100 cashier-free supermarkets and 100 automated vending machines to cinemas nationwide, with a view to helping cinemas explore new business modes and create never-seen-before consumption scenarios in retail for the benefits of their users.

In order to improve the efficiency in film promotion and distribution, while enabling effective yet accurate resource allocation for such purposes, the Group launched Beacon – its one-stop digital promotion and distribution platform – in April 2018, providing content producers with data, strategies, channels and solutions. As at the date of this announcement, Beacon served 171 film projects and 295 companies engaged in film-related operations; it had 82 partners for advertising placement and 810,000 new media accounts. Building on its capacity to reach 650 million users on a daily basis and preview services that cover 75 million users, Beacon has helped its customers save on promotion and distribution budget.

While Beacon continues to release reports on Mainland China's film market and industry, Beacon Professional has become one of the key channels to stay updated with the latest trend in films from this region, as it provides multi-dimensional industry information and analysis, including, among others, real-time box office data (updated every second), screening and attendance statistics, as well as Youku's share of box office through online screening.

The Group analyzes its users' viewing habits, together with the comments and ratings that they give based on its accumulated advantage in big-data. Relying on its insight about the classification of audience for film & TV productions and their preferences, the Group actively seeks and participates in the production of films featuring quality content. During the Reporting Period, the Group co-produced several popular films, recording an aggregated box office of nearly RMB20 billion from films that it produced/co-produced and distributed. Among these, six films recorded box office of over RMB1 billion, including *The Wandering Earth* (流浪地球) (box-office champion of the 2019 Chinese New Year holiday), *Dying to Survive* (我不是藥神), *Hello Mr. Billionaire* (西虹市首富) (two of the highest grossing films of the 2018 summer school holidays) and *Project Gutenberg* (無雙) (box-office champion of the 2018 National Day holiday), which grossed RMB4.6 billion, RMB3.1 billion, RMB2.5 billion and RMB1.3 billion, respectively. In addition, *Green Book* (綠簿旅友 or 綠皮書 (the translated title in the PRC)), a film co-produced by Alibaba Pictures and distributed by Huaxia Film Distribution Co., Ltd., won three awards at the 91st Academy Awards, including Best Picture, Best Original Screenplay and Best Supporting Actor, making Alibaba Pictures the very first internet-based film and TV company in the world to have taken home an Oscar for Best Picture. In light of the above, film and TV content will become one of the Group's strategic focuses.

During the Reporting Period, the Group's internet-based promotion and distribution business segment recorded revenue of RMB2,464 million, representing an increase of 13% from RMB2,179 million for the corresponding period last year. 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 Twelve months ended March 31,		**Segment margin Twelve months ended March 31,**	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000* (unaudited)	***RMB'000***	*RMB'000* (unaudited)
Ticketing and other services	**1,168,426**	1,012,119	**967,144**	790,985
System provider services for Yunzhi	**333,738**	346,640	**331,777**	343,174
Content promotion and distribution services and co-invested operation	**961,478**	819,758	**620,988**	716,364
Total	**2,463,642**	2,178,517	**1,919,909**	1,850,523

Revenue from ticketing and other services increased by 15% from RMB1,012 million in the Previous Period to RMB1,168 million, this was primarily attributable to a steady growth in market share; revenue from system provider services decreased by 4%, which was primarily attributable to the decrease in online user population; revenue from content promotion and distribution, and co-invested operation covers operations related to film promotion and distribution, content co-investment and Beacon, which was up by 17% during the Reporting Period, building on strengthened promotion and distribution capabilities. During the Reporting Period, on top of having become one of the preferred partners among film and TV companies, the Group also turned to a profit-making position in terms of annual results for the first time.

CONTENT PRODUCTION

The Group's content production business segment is engaged in the planning, development and production of films and TV drama series. Relying on its own unique advantage in data analysis and capabilities in promotion and distribution through relevant ecosystems, the Group is better equipped to select and develop productions that cater to current market needs.

The Group focuses on producing films about common people that come with major emotional appeals while promoting positive values. The Group launched the Jin Cheng Co-production Project (錦橙合製計劃) at the end of 2018, planning to support talented young directors and screenwriters by launching multiple co-produced films of premium quality in the four major seasons (namely the New Year holiday, Chinese New Year holiday, summer school holidays and National Day holiday) over the next five years as the lead investor, lead producer or lead promoter/distributor through collaboration with top-tier producers.

In addition, as a member of the media and entertainment matrix (M&E Matrix) of Alibaba Group Holding Limited ("AGHL"), the Group also adjusted its production strategy for drama series to ensure mutual success by promoting synergy within the M&E Matrix and the greater Alibaba ecosystem. Following the adoption of a brand-new approach for resource allocation at the beginning of 2019, the Group's business for self-produced drama series is now able to benefit from advantages of the Alibaba ecosystem. Going forward, this business will follow a market-driven philosophy that centers on user needs in prioritizing core production elements within the industry and focusing on the production of premium contents, the ultimate aim of which is to produce more quality contents for its users through cost saving and efficiency improvement. As at the date of this announcement, the Group has already reserved over 10 projects covering a wide range of themes and user groups, which are expected to be released in succession from 2020.

The Group's content production business segment recorded revenue of RMB459 million during the Reporting Period, as compared with RMB556 million for the corresponding period last year. The Group recorded a segment loss of RMB221 million during the Reporting Period, compared with a profit of RMB5.8 million during the Previous Period. The Reporting Period marked a period of adjustment for our content-related policies: on the one hand, we managed to complete historical projects; on the other hand, we also reserved new projects for the next financial year, which, with the support from our new policies for content production, will see us focusing on delivering more quality contents.

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, and therefore should be explored on an expedited basis, given the tremendous potential of this sector. During the Reporting Period, the integrated development business recorded its first triple-digit growth in financial results.

Building on the economic fundamentals of its large fan base in the PRC, Alifish, a merchandise licensing and developing platform under the Group, has successfully established a unique trading platform for IPs. On the one hand, Alifish accurately connects IP owners with IP users to promote diversified monetization of IP value through big-data analysis; on the other hand, it also provides IP users with better solutions for merchandise development through accurate selection and pricing of merchandise categories. Furthermore, through effective assessment of relevant IP user base, Alifish also optimizes customer acquisition by upgrading algorithms to enable customer profiling at greater accuracy.

In terms of IP development, Alifish has already formed partnership with many domestic and overseas IP owners, including Storyteller Distribution Co., LLC, Paramount Licensing Inc., BANDAI NAMCO Entertainment Inc., The Pokemon Company, Sony Pictures Consumer Products Inc., Twentieth Century Fox Licensing and Merchandising, Central Pictures Corporation and Entertainment One UK Limited. 47 additional IP merchandising projects were introduced in the Reporting Period. As at the date of this announcement, Alifish has been successfully connected to over 200 IPs, including Uglydolls, Mr. Like* (點贊君), Pac Man, ZELLYGO and Traveling Frog, more than 100,000 merchants and over 600 million consumers who identify themselves as fans of such IPs.

Leveraging on the IPs and data owned by the M&E Matrix and the synergy among the Group's multiple ecosystems, Alifish has achieved significant commercial success. Under its management, the gross merchandise value (GMV) of Traveling Frog, a Japanese mobile game IP that enjoyed nationwide popularity in the PRC in 2018, has reached RMB200 million. Pikachu, another anime IP that was first brought to the PRC by Alifish, has even accumulated a record GMV of nearly RMB500 million.

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 launched the Swan Goose Plan* (鴻雁計劃), through which it 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 the turnover of capital 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.

Yulebao has made noticeable progress in shortening the payback period of box office receipts. During the Reporting Period, Yulebao formed partnership with many presenters of premium contents to provide several films and drama series with various services, including sales of film and TV rights. One of which was the box office hit *Hello Mr. Billionaire* (西虹市首富), for which the Group successfully delivered payments in advance of RMB52 million to joint presenters within 15 days after the official release.

* *For identification purpose only*

Yulebao has also 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 an integral part of the financial infrastructure for the film and television industry.

Moreover, in partnership with leading producers in the sector, the Group also launched Yunshang, a production management system designed for film and TV production. This system has digitized and brought online most of the current works involved in film and TV production, including functions such as entire production procedure management, shooting management, communication and collaboration between crew members, as well as crew financial recording and reporting. Yunshang can assist producers in regulating production processes, controlling shooting quality, enhancing work efficiency and limiting production cost. Following a development phase that lasted for over a year, we recently launched a beta version of this system and offered it to nearly 30 film crews from top producers.

During the Reporting Period, revenue generated by the integrated development business grew by 174% to RMB111 million, reporting a triple-digit growth for the first time; while its operating profit increased by 110% year-over-year to RMB67 million.

PROSPECTS

Since March 5, 2019, the Group has become a consolidated subsidiary of AGHL. 1,000,000,000 shares of the Company were allotted and issued to Ali CV Investment Holding Limited (the "Subscriber"), an indirect wholly-owned subsidiary of AGHL, on March 5, 2019 pursuant to the subscription agreement dated December 9, 2018 entered into between the Company and the Subscriber (the "Subscription Agreement"). Going forward, the Group will continue:

1. to drive promotion and distribution through co-investment in films while improving its capacity to produce hit titles, with a view to becoming the single largest promotion and distribution company in the PRC within two years by utilizing the core promotion and distribution power of the twin drive of Tao Piao Piao and Beacon;

2. to build its capability to produce drama series while prioritizing on actors and screenwriters, with a view to becoming a steady source of top drama series for the M&E Matrix; and

3. to further deepen its involvement 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 explosive growth; enabling Beacon and relevant production software to expand their coverage; and to becoming the dominant industry leader while empowering its peers.

The Group expects to fund its business initiatives in the coming year with its own internal financial resources, but may seek external financing if appropriate opportunities and conditions arise.

FINANCIAL REVIEW

Revenue and Profit for the Period

During the Reporting Period, the Group recorded revenue of RMB3,034 million, representing an increase of 9% year-over-year. Operating loss narrowed by RMB663 million from RMB1,160 million in the Previous Period to RMB497 million in the Reporting Period. Comparing the two periods, the Group recorded stable increases in revenue, with the internet-based promotion and distribution segment, which maintained an annual profit-making position in its financial results for the first time, accounting for the largest portion of growth in the overall top line, while the integrated development segment showed the strongest growth in segment results, recording a triple-digit growth in revenue for the very first time.

Net loss attributable to the owners of the Company amounted to RMB254 million, compared with net loss of RMB1,245 million in the Previous Period, representing a significant decrease of RMB991 million year-over year.

As at March 31, 2019, loss per share (basic and diluted) for the Group decreased from RMB6.56 cents per share for the corresponding period last year to RMB1.00 cents.

Selling, Marketing and Administrative Expenses

During the Reporting Period, selling and marketing expenses amounted to RMB1,579 million, representing a year-over-year decrease of 38% when compared with approximately RMB2,528 million in the Previous Period. The decrease was primarily attributable to higher overall operating efficiency. Administrative expenses grew year-over-year from RMB795 million to RMB897 million, mainly due to increased employee benefit expenses and higher operating expenses resulted from business expansion.

Finance Income

During the Reporting Period, the Group recorded net finance income of RMB232 million, which included foreign exchange gain of RMB166 million. As the Group's cash reserves are held in multiple currencies, the foreign exchange gain resulted mainly from the depreciation of RMB against USD in the Reporting Period.

Material Investments

As at March 31, 2019, the Group held 14 investments in associates and joint ventures, all of which were accounted for using the equity method, and combined for a total book value of approximately RMB2,402 million. The Group held 12 investments in unlisted companies as well as convertible bonds, 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 RMB1,955 million. The three largest investments are in Bona Film Group Limited, Hehe (Shanghai) Pictures Co., Ltd., and Storyteller Holding Co., LLC Amblin, which are all involved in film production or distribution. During the Reporting Period, the Group recorded a total loss of RMB15.96 million in its investments in associates and joint ventures, and total fair value gains of RMB76.4 million in financial assets at fair value. These material investments strengthened the leading position of the Group in various business segments.

Financial Resources and Liquidity

As at March 31, 2019, the Group had cash and cash equivalents and bank deposits of approximately RMB4.239 billion in multiple currencies. The Group held financial assets at fair value through profit or loss of approximately RMB190 million, which mainly consisted of investments in wealth management products issued by major banks in the PRC with expected return ranging from 2.72% to 3.81% per annum and redeemable within one year. The Group recognized an investment income of approximately RMB51 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 March 31, 2019, the Group had long-term borrowings of RMB40 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 March 31, 2019, the Group was in a net cash position and its gearing ratio (being net borrowings over total equity) was nil (March 31, 2018: 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 currency hedging instruments, but it aims to ensure that its exposure to exchange rate fluctuation is managed in a cost-effective manner through ongoing assessment.

Charge on Assets

As at March 31, 2019, the Group did not have any charge on assets (March 31, 2018: nil).

Contingent Liabilities

As at March 31, 2019, the Group did not have any material contingent liabilities (March 31, 2018: nil).

Employees and Remuneration Policies

As at March 31, 2019, the Group, including its subsidiaries but excluding its associates, had 1,184 (March 31, 2018: 1,442) employees. The total employee benefit expenses of the Group were RMB543 million in the Reporting Period. The remuneration policies of the Group are determined based on prevailing market levels and performance of the respective group companies and individual employees. These policies are reviewed on a regular basis. In addition to salary, the Group also offers to its employees other fringe benefits including year-end bonus, discretionary bonus, share options to be granted under the Company's share option scheme, awarded shares to be granted under the Company's share award scheme (the "Share Award Scheme"), contributory provident fund, social security fund, medical benefits and training.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, accountability and independence. The Board believes that good corporate governance is essential to the success of the Company and the enhancement of its shareholders' value.

Throughout the Reporting Period, the Company has applied and complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for certain deviations with considered reasons as explained 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, generally, 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. Mr. Shao Xiaofeng, the then non-executive Director, was not able to attend the 2018 annual general meeting of the Company held on September 7, 2018 and the special general meeting of the Company held on February 22, 2019 due to his personal engagements during the meeting time.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code.

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.

AUDIT COMMITTEE 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 year ended March 31, 2019. The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended March 31, 2019 as set out in this announcement have been agreed by the Company's auditor, PricewaterhouseCoopers ("PwC"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC on this announcement.

PURCHASE, SALE OR REDEMPTION OF SHARES

Except that (i) the trustee of the Share Award Scheme purchased a total of 3,000,000 shares of the Company from the market to satisfy the awarded shares granted to connected employees of the Company upon vesting pursuant to the terms and rules of the Share Award Scheme and that (ii) 1,000,000,000 shares of the Company were allotted and issued to the Subscriber on March 5, 2019 pursuant to the Subscription Agreement, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year ended March 31, 2019.

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

Hong Kong, May 28, 2019

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