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 FIFTEEN MONTHS ENDED MARCH 31, 2018

The board of directors (the "Board") of Alibaba Pictures Group Limited (the "Company") announces that the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the fifteen months ended March 31, 2018 together with the comparative figures for the year ended December 31, 2016 were as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	**For the fifteen months ended March 31, 2018** *RMB'000*	For the year ended December 31, 2016 *RMB'000*
Revenue	3	**3,302,783**	904,582
Cost of sales and services	6	**(962,954)**	(718,530)
Gross profit		**2,339,829**	186,052
Selling and marketing expenses	6	**(3,222,608)**	(1,079,562)
Administrative expenses	6	**(968,885)**	(719,758)
Other income	4	**122,037**	63,414
Other gains, net	5	**116,574**	45,911
Operating loss		**(1,613,053)**	(1,503,943)
Finance income	7	**107,691**	545,921
Finance expenses	7	**(291,564)**	(11,975)
Finance (expenses)/income, net		**(183,873)**	533,946
Share of profit or loss of and gain on dilution of investments accounted for using the equity method	10	**37,279**	12,502
Loss before income tax		**(1,759,647)**	(957,495)
Income tax expense	8	**(35,313)**	(18,649)
Loss for the period/year		**(1,794,960)**	(976,144)
Loss attributable to:			
Owners of the Company		**(1,658,647)**	(958,576)
Non-controlling interests		**(136,313)**	(17,568)
Loss per share attributable to owners of the Company for the period/year *(expressed in RMB cents per share)*	9		
– Basic		**(6.56)**	(3.80)
– Diluted		**(6.56)**	(3.80)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the fifteen months ended March 31, 2018 *RMB'000*	For the year ended December 31, 2016 *RMB'000*
Loss for the period/year	**(1,794,960)**	(976,144)
Other comprehensive loss:		
Items that may be reclassified to profit or loss		
Currency translation differences	**(136,355)**	(3,402)
Change in the fair value of available-for-sale financial assets, net of tax	**(8,936)**	301
Other comprehensive loss for the period/year, net of tax	**(145,291)**	(3,101)
Total comprehensive loss for the period/year	**(1,940,251)**	(979,245)
Attributable to:		
– Owners of the Company	**(1,803,634)**	(962,036)
– Non-controlling interests	**(136,617)**	(17,209)
Total comprehensive loss for the period/year	**(1,940,251)**	(979,245)

CONSOLIDATED BALANCE SHEET

	Note	As at March 31, 2018 *RMB'000*	As at December 31, 2016 *RMB'000*
Assets			
Non-current assets			
Property, plant and equipment		**232,378**	99,265
Goodwill		**3,546,504**	3,532,107
Intangible assets		**158,400**	176,901
Deferred income tax assets		**419**	1,012
Investments accounted for using the equity method	10	**2,387,742**	2,280,839
Available-for-sale financial assets		**52,000**	20,000
Financial assets at fair value through profit or loss	11	**1,122,587**	1,025,170
Trade and other receivables, and prepayments	12	**111,250**	93,391
		7,611,280	7,228,685
Current assets			
Inventories		**756**	890
Film and TV copyrights		**990,145**	809,004
Trade and other receivables, and prepayments	12	**1,156,370**	1,322,353
Current income tax recoverable		**575**	–
Available-for-sale financial assets		**666,992**	1,954,107
Cash and cash equivalents		**1,685,719**	6,220,966
Bank deposits with the maturity over three months		**2,740,707**	–
Restricted cash		**17,719**	2,027,057
		7,258,983	12,334,377
Assets classified as held-for-sale		**112,320**	–
		7,371,303	12,334,377
Total assets		**14,982,583**	19,563,062

	Note	As at March 31, 2018 RMB'000	As at December 31, 2016 RMB'000
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		**5,131,405**	5,081,884
Reserves		**8,845,292**	11,836,139
		13,976,697	16,918,023
Non-controlling interests		**120,202**	213,909
Total equity		**14,096,899**	17,131,932
Liabilities			
Non-current liabilities			
Borrowings	14	**23,311**	–
Deferred income tax liabilities		**37,426**	42,922
Finance lease liabilities		**11,986**	–
		72,723	42,922
Current liabilities			
Trade and other payables, and accrued charges	13	**794,247**	405,542
Current income tax liabilities		**–**	2,666
Borrowings	14	**3,000**	1,980,000
Finance lease liabilities		**7,979**	–
		805,226	2,388,208
Liabilities directly associated with assets classified as held-for-sale		**7,735**	–
		812,961	2,388,208
Total liabilities		**885,684**	2,431,130
Total equity and liabilities		**14,982,583**	19,563,062

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, 2018, the Company is 49.03% 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.

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

2. Basis of preparation

On December 12, 2017, the Company announced to change its financial year end date from December 31 to March 31 to coincide with the natural business cycle of certain business lines of the Company, including its online movie ticketing services and entertainment content promotion and distribution business. Accordingly, the current financial year covers a fifteen-month period from January 1, 2017 to March 31, 2018 with the comparative financial year from January 1, 2016 to December 31, 2016.

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and available-for-sale 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 amendments to standards adopted by the Group*

The Group has adopted the following amendments to standards which are mandatory for the financial year beginning on January 1, 2017:

Amendments to standards		**Effective for accounting periods beginning on or after**
Amendments to HKAS 12	Income taxes	January 1, 2017
Amendments to HKAS 7	Statement of cash flows	January 1, 2017
Amendments to HKFRS 12	Disclosure of interest in other entities	January 1, 2017

The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities.

Other amendments to standards which are effective for the financial year beginning on January 1, 2017 are not material to the Group.

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2017 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

(i) *HKFRS 9, 'Financial instruments'*

Nature of change

HKFRS 9 'Financial Instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group has reviewed its financial assets and liabilities and does not expect any significant impact from the adoption of the new standard from the financial year beginning on April 1, 2018, for the following reasons:

- The Group's debt instruments currently classified as available-for-sale ("AFS") will have to be reclassified to financial assets at fair value through profit or loss ("FVPL") and the impact to retained earnings is not material.

- The Group's equity instruments that are currently classified as AFS will have to be reclassified to financial assets at FVPL and the impact to retained earnings is not material.

- Debt investments currently measured at fair value through profit or loss will likely continue to be measured on the same basis under HKFRS 9.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group did not have any such liabilities as at March 31, 2018.

The derecognition rules have been transferred from HKAS 39 'Financial Instruments: Recognition and Measurement' and have not been changed.

The new hedge accounting rules have no impact on the Group as the Group does not have any hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 'Revenue from Contracts with Customers', lease receivables, loan commitments and certain financial guarantee contracts. While the Group is in the process of undertaking a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by the Group

Must be applied for financial years commencing on or after January 1, 2018. The Group will apply the new standard retrospectively from the financial year beginning on April 1, 2018, with the practical expedients permitted under the standard.

(ii) HKFRS 15, 'Revenue from contracts with customers'

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management is in the process of assessing the effects of applying the new standard on the Group's financial statements and expects there will be no significant areas that will be affected.

Date of adoption by the Group

Mandatory for financial years commencing on or after January 1, 2018. The Group intends to adopt the new standard using the modified retrospective approach from the financial year beginning on April 1, 2018, which means that the cumulative impact of the adoption will be recognized in retained earnings as of April 1, 2018 and that comparatives will not be restated.

(iii) HKFRS 16, 'Leases'

Nature of change

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

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases.

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

Date of adoption by the Group

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

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

3. 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 fifteen months ended March 31, 2018, the Group's operating and reportable segments are as follows:

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

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

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

Segment revenue and results

	For the fifteen months ended March 31 2018 *RMB'000*	For the year ended December 31 2016 *RMB'000*
Internet-based promotion and distribution	**2,658,579**	682,607
Content production	**585,444**	211,834
Integrated development	**58,760**	6,010
Other operations	**–**	4,131
Total revenue	**3,302,783**	904,582

	For the fifteen months ended March 31, 2018			
	Internet-based promotion and distribution *RMB'000*	**Content production** *RMB'000*	**Integrated development** *RMB'000*	**Total** *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 profit or loss of and gain on dilution of investments accounted for using the equity method				**37,279**
Loss before income tax				**(1,759,647)**

	For the year ended December 31, 2016				
	Internet-based promotion and distribution *RMB'000*	Content production *RMB'000*	Integrated development *RMB'000*	Other operations *RMB'000*	Total *RMB'000*
Segment revenue	682,607	211,834	6,010	4,131	904,582
Segment results	(607,448)	(243,486)	(14,955)	4,131	(861,758)
Unallocated selling and marketing expenses					(31,752)
Administrative expenses					(719,758)
Other income					63,414
Other gains, net					45,911
Finance income					545,921
Finance expenses					(11,975)
Share of profit of investments accounted for using the equity method					12,502
Loss before income tax					(957,495)

During the fifteen months ended March 31, 2018 and the year ended December 31, 2016, all of the segment revenue reported above is from external customers and there are 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.

4. Other income

	For the fifteen months ended March 31, 2018 ***RMB'000***	For the year ended December 31, 2016 *RMB'000*
Investment income on available-for-sale financial assets	**99,931**	43,434
Local government subsidies	**11,736**	5,665
Investment income on loan receivable	**–**	4,579
Sundry income	**10,370**	9,736
	122,037	63,414

5. Other gains, net

	For the fifteen months ended March 31, 2018 RMB'000	For the year ended December 31, 2016 RMB'000
Change in fair value of financial assets at fair value through profit or loss *(Note 11)*	**116,917**	25,170
Net gain/(loss) on disposal of property, plant and equipment	**346**	(253)
Gain on derecognition of repurchase option upon expiry	**–**	33,000
Change in fair value of assets held-for-sale	**–**	(12,218)
Others	**(689)**	212
	116,574	45,911

6. Expenses by nature

	For the fifteen months ended March 31, 2018 RMB'000	For the year ended December 31, 2016 RMB'000
Film and TV copyrights recognized as cost of sales and services *(Note)*	**686,875**	622,038
Cost of inventories, digital vouchers, cinema ticketing and intellectual property licenses recognized as cost of sales and services	**134,243**	32,198
Marketing and promotion expenses	**3,208,022**	1,076,624
Employee benefit expense	**671,559**	540,900
Depreciation and amortization	**82,199**	44,330
Payment processing fees	**81,806**	22,863
Operating lease payments	**76,216**	36,119
Travel and entertainment fees	**39,505**	29,940
Technology service fees	**29,145**	7,707
Impairment provision for trade and other receivables, and prepayments	**28,591**	43,693
SMS platform service and customer services support fees	**21,344**	11,348
Auditor's remunerations		
– Audit services	**3,686**	3,000
– Non-Audit services	**570**	750
Others	**90,686**	46,340
Total cost of sales and services, selling and marketing expenses and administrative expenses	**5,154,447**	2,517,850

Note:

Amount included an impairment loss on film and TV copyrights of RMB42,176,000 for the fifteen months ended March 31, 2018 (Year ended December 31, 2016: RMB28,269,000).

7. Finance income and expenses

	For the fifteen months ended March 31, 2018 *RMB'000*	For the year ended December 31, 2016 *RMB'000*
Finance income		
– Interest income on bank deposits	**107,691**	118,386
– Exchange gain, net	**–**	427,535
	107,691	545,921
Finance expenses		
– Exchange loss, net	**(278,687)**	–
– Interest expenses on bank borrowings and finance lease liabilities	**(12,877)**	(11,975)
	(291,564)	(11,975)
Finance (expenses)/income, net	**(183,873)**	533,946

8. Income tax expense

	For the fifteen months ended March 31, 2018 *RMB'000*	For the year ended December 31, 2016 *RMB'000*
Current income tax	**37,237**	7,494
Deferred income tax	**(1,924)**	11,155
	35,313	18,649

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 exempted companies with limited liability under the Companies Law of BVI and accordingly, are exempted from BVI income tax.

Provision for the PRC enterprise income tax is calculated based on the statutory tax rate of 25% (Year ended December 31, 2016: 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% (Year ended December 31, 2016: 15%) 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.

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 current period and prior year.

9. Loss per share

	For the fifteen months ended March 31, 2018	For the year ended December 31, 2016
Basic/diluted loss per share (RMB cents)	**(6.56)**	(3.80)

(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/year.

	For the fifteen months ended March 31, 2018	For the year ended December 31, 2016
Loss attributable to owners of the Company (RMB'000)	**(1,658,647)**	(958,576)
Weighted average number of ordinary shares in issue less shares held for share award scheme (thousands)	**25,267,538**	25,234,561

(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 during the fifteen months ended March 31, 2018, which are share options and unvested awarded shares; while the Company has only one category of dilutive potential ordinary shares for the year ended December 31, 2016, which was share options. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the closing market price per share for the period/year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted loss per share.

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

10. Investments accounted for using the equity method

Investment in associates

	For the fifteen months ended March 31, 2018	For the year ended December 31, 2016
	RMB'000	*RMB'000*
At beginning of the period/year	**2,280,839**	19,081
Additions	**201,828**	2,248,893
Disposal of investment in an associate	**(38,403)**	–
Refund of investments in an associate	**(50,000)**	–
Share of (loss)/profit of investments	**(41,689)**	12,502
Gain on dilution of interest in an associate *(Note)*	**78,968**	–
Currency translation differences	**(43,801)**	363
At ending of the period/year	**2,387,742**	2,280,839

Note:

The amount represents the dilution gain on the Group's investment in Bona Film Group Limited ("Bona Film"). As at December 31, 2016, the Group's interests in Bona Film was 8.24%. During the fifteen months ended March 31, 2018, Bona Film issued new shares to certain investors. Consequently, the Group's interests in Bona Film was diluted from 8.24% to 7.72%. The difference between (1) the decrease in the carrying value of the Group's interest in Bona Film resulting from the decrease in shareholding; and (2) the Group's share of the proceeds received for the new shares issued resulted in a dilution gain of RMB78,968,000 and was recognized in the consolidated statement of profit or loss for the fifteen months ended March 31, 2018.

The Board of Directors of the Company is of the view that none of the Group's associates is individually material to the Group as at March 31, 2018 and December 31, 2016.

11. Financial assets at fair value through profit or loss

	For the fifteen months ended March 31, 2018 *RMB'000*	For the year ended December 31, 2016 *RMB'000*
Opening balance	**1,025,170**	–
Addition	**–**	1,000,000
Interest received	**(19,500)**	–
Change in fair value	**116,917**	25,170
Closing balance	**1,122,587**	1,025,170

The balance represents the 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 December 31, 2016 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 12.3% (as at December 31, 2016) and 12.0% (as at March 31, 2018), respectively.

For the conversion right of the convertible bonds, the fair value is determined using the binomial model, and the inputs adopted in the model as at December 31, 2016 and March 31, 2018 include risk free rate of 1.48% and 1.506%, remaining life of 2.45 years and 1.2 years, and volatility of 43.4% and 35% 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.

12. Trade and other receivables, and prepayments

	As at March 31, 2018			As at December 31, 2016		
	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	**106,134**	**–**	**106,134**	100,801	–	100,801
– Third parties	**513,142**	**–**	**513,142**	211,368	–	211,368
Less: allowance for impairment of trade receivables	**(26,522)**	**–**	**(26,522)**	(31,028)	–	(31,028)
Trade receivables – net	**592,754**	**–**	**592,754**	281,141	–	281,141
Prepaid film deposits *(Note b)*	**–**	**90,000**	**90,000**	–	90,000	90,000
Prepayment to related parties	**29,627**	**–**	**29,627**	97,952	–	97,952
Prepayment for investment in film and TV copyrights	**11,560**	**–**	**11,560**	32,421	–	32,421
Prepayment for investment	**–**	**–**	**–**	45,000	–	45,000
Other prepayments	**16,930**	**4,397**	**21,327**	23,140	–	23,140
Other receivables arising from:						
– Receivables from related parties	**24,217**	**–**	**24,217**	63,043	–	63,043
– Receivables in respect of Yulebao's business	**243,587**	**–**	**243,587**	201,813	–	201,813
– Refund receivable in relation to the restructuring of Bona Film	**100,370**	**–**	**100,370**	506,179	–	506,179
– Deductible VAT input	**70,084**	**–**	**70,084**	34,031	–	34,031
– Receivables in respect of reimbursed distribution expenses	**41,797**	**–**	**41,797**	31,669	–	31,669
– Deposits receivables	**26,651**	**–**	**26,651**	15,056	–	15,056
– Interest income receivables	**17,259**	**–**	**17,259**	8,063	–	8,063
– Refundable film copyrights investment cost	**4,900**	**–**	**4,900**	12,000	–	12,000
– Other receivables	**46,083**	**16,853**	**62,936**	4,936	3,391	8,327
Less: allowance for impairment of prepayment and other receivables	**(69,449)**	**–**	**(69,449)**	(34,091)	–	(34,091)
Other receivables and prepayments – net	**563,616**	**111,250**	**674,866**	1,041,212	93,391	1,134,603
Total trade and other receivables, and prepayments	**1,156,370**	**111,250**	**1,267,620**	1,322,353	93,391	1,415,744

The fair value of the current portion of trade and other receivables, and prepayments is close to their respective carrying value.

Notes:

(a) Trade receivables

The normal credit period granted to the debtors of the Group is generally ranging from 30 days to one year. Before accepting any new debtor, the Group assesses the potential debtor's credit quality and defines credit limits by 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 the aging analysis of trade receivables based on recognition date:

	As at March 31, 2018	As at December 31, 2016
	RMB'000	*RMB'000*
0 – 90 days	**327,501**	192,433
91 – 180 days	**183,997**	45,498
181 – 365 days	**28,707**	40,830
Over 365 days	**79,071**	33,408
	619,276	312,169

(b) These prepaid film deposits represent the prepayments made by the Group to Mr. Chan Ho Sun, Ms. Chai Zhi Ping and Mr. Wong Kar Wai pursuant to their respective film cooperation agreements.

13. Trade and other payables, and accrued charges

	As at March 31, 2018 *RMB'000*	As at December 31, 2016 *RMB'000*
Trade payables		
– Related parties	**63,236**	5,964
– Third parties	**52,353**	31,172
	115,589	37,136
Other payable and accrued charges		
Amounts due to related parties	**81,532**	52,105
Payable in respect of Yulebao's business	**205,987**	41,187
Payroll and welfare payable	**69,269**	55,616
Advance from customers	**52,604**	34,711
Amount received on behalf of cinema ticketing system providers	**50,510**	10,040
Accrued marketing expense	**48,461**	29,312
Amount received on behalf of cinemas	**34,120**	2,006
Other tax payable	**32,574**	59,264
Payable in relation to distribution of films	**22,279**	29,489
Professional fees payable	**12,336**	9,288
Payable for property, plant and equipment	**961**	6,863
Interest payable	**132**	4,587
Consideration payable for business combination	**–**	3,900
Other payables and accrued charges	**67,893**	30,038
	678,658	368,406
Total trade and other payables, and accrued charges	**794,247**	405,542

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

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

	As at March 31, 2018 *RMB'000*	As at December 31, 2016 *RMB'000*
0 – 90 days	**93,967**	21,914
91 – 180 days	**13,286**	286
181 – 365 days	**243**	404
Over 365 days	**8,093**	14,532
	115,589	37,136

14. Borrowings

	As at March 31, 2018			As at December 31, 2016		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Secured bank loans	**–**	**–**	**–**	1,980,000	–	1,980,000
Unsecured bank loans	**3,000**	**23,311**	**26,311**	–	–	
	3,000	**23,311**	**26,311**	1,980,000	–	1,980,000

(a) Bank borrowings mature until 2021 and bear floating interest rates with reference to published loan interest rate issued by People's Bank of China as at March 31, 2018 (December 31, 2016: 0.3% annually).

As at March 31, 2018 and December 31, 2016, the Group's bank borrowings are repayable as follows:

	As at March 31, 2018	As at December 31, 2016
	RMB'000	*RMB'000*
Within 1 year	**3,000**	1,980,000
Between 1 and 2 years	**5,000**	–
Between 2 and 5 years	**18,311**	–
	26,311	1,980,000

(b) Movements in borrowings are analysed as follows:

	For the fifteen months ended March 31, 2018			For the year ended December 31, 2016		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Opening balance	**1,980,000**	**–**	**1,980,000**	1,980,000	–	1,980,000
Repayments of bank borrowings	**(1,980,000)**	**–**	**(1,980,000)**	–	–	–
Proceeds from bank borrowings	**3,000**	**23,311**	**26,311**	–	–	–
Closing balance	**3,000**	**23,311**	**26,311**	1,980,000	–	1,980,000

Note:

As at March 31, 2018, the Group has no secured borrowings. As at December 31, 2016, short-term borrowings of RMB1,980,000,000 were secured by restricted cash of RMB2,007,439,000.

As at March 31, 2018, the fair value of the borrowings approximates their carrying amount.

15. Dividends

The Board of the Directors of the Company has resolved not to recommend the payment of a dividend for the fifteen months ended March 31, 2018 (Year ended December 31, 2016: nil).

DIVIDENDS

The Board has resolved not to recommend the payment of a dividend for the fifteen months ended March 31, 2018 (Year ended December 31, 2016: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

For comparison purpose, major indicators of the financial results for the fifteen months ended March 31, 2018 and March 31, 2017 are summarised in the tables below:

	For the fifteen months ended March 31, 2018	For the fifteen months ended March 31, 2017
	RMB'000	*RMB'000*
		(unaudited)
Revenue	**3,302,783**	1,431,924
Gross profit	**2,339,829**	(1,773,914)
Selling and marketing expenses	**(3,222,608)**	599,029
Administrative expenses	**(968,885)**	(894,103)
Operating loss	**(1,613,053)**	(1,957,412)
Finance (expenses)/income, net	**(183,873)**	514,516
Share of profit or loss of and gain on dilution of investments accounted for using the equity method	**37,279**	12,502
Loss for the period	**(1,794,960)**	(1,456,745)
Loss attributable to owners of the Company	**(1,658,647)**	(1,391,939)

	Segment revenue Fifteen months ended March 31,		**Segment results Fifteen months ended March 31,**	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(unaudited)		(unaudited)
Continuing operations				
Internet-based promotion and distribution	**2,658,579**	1,163,150	**(882,538)**	(891,634)
Content production	**585,444**	240,919	**7,958**	(241,289)
Integrated development	**58,760**	23,724	**32,690**	(14,341)
Other operations	**–**	4,131	**–**	4,131
Total	**3,302,783**	1,431,924	**(841,890)**	(1,143,133)

OVERVIEW

On February 27, 2018, the Group announced its 12-month results ended December 31, 2017, the period during which the Group recorded revenue of RMB2,366.1 million and net loss attributable to the owners of the Company of RMB950.3 million. Having changed its financial year end from December 31 to March 31, the Group is reporting its financial results for the 15 months ended on March 31, 2018 ("Reporting Period"). During this Reporting Period, the Group experienced material business growth, whereby its revenue amounted to RMB3,302.8 million, compared with RMB1,431.9 million for the 15 months ended March 31, 2017 ("Previous Period"). Each of its three business segments achieved strong revenue growth, led by the internet-based promotion and distribution business, which recorded RMB2,658.6 million in revenue in the Reporting Period, a 15-month growth of 128.6%. As an integral part of the new industry infrastructure, the Group's online movie ticketing platform Tao Piao Piao has continued to expand its footprints and gain industry recognition. As at March 31, 2018, Tao Piao Piao is connected to approximately 9,000 cinemas in Mainland China. Ticketing platforms have enhanced the convenience of cinema ticket purchase to consumers, now furthermore they are heavily involved in the online promotion of entertainment content. An increasing number of users are browsing them for information that revolves around movies, cinemas, and celebrities. Tao Piao Piao has become a powerful tool for digital promotion of films.

The Chinese New Year holiday period ("CNY Period") is usually a peak season for box office in the PRC. February 2018 saw the highest box office number ever recorded for the CNY period, which the Group used as a strategic time window to exert its effort to strengthen Tao Piao Piao's market-leading position. Significant resources were spent in the CNY Period of 2018 to provide pricing incentives to consumers to further promote the Tao Piao Piao brand. The Group recorded a net loss attributable to the owners of the Company of RMB1,658.6 million for the Reporting Period, compared with RMB1,391.9 million for the Previous Period. Although marketing expenses increased, the increase in net loss was materially impacted by foreign exchange movements. Foreign exchange loss during the Reporting Period was RMB278.7 million, compared with a gain of RMB367.4 million for the Previous Period. This fluctuation resulted from the appreciation of RMB against USD and HKD. Without this factor, the Group's operations showed noticeable improvement, as operating loss narrowed to RMB1,613.1 million in the Reporting Period from RMB1,957.4 million in the Previous Period. Substantial progress was made in each of its three major business segments: (i) internet-based promotion and distribution, (ii) content production, and (iii) integrated development. Details are elaborated in the section headed "Business Review" below.

BUSINESS REVIEW

INTERNET-BASED PROMOTION AND DISTRIBUTION

Through the last several years, the online movie ticketing industry experienced continuous growth and consolidation. In the second half of 2017, two major ticketing platforms, namely Maoyan and Yu Piao Er, were merged. The consolidated entity of Maoyan was eventually acquired by Enlight Media, and together with Tao Piao Piao (the Group's online movie ticketing platform), formed a duopoly that commands a very large percentage of the entire market. In such competitive landscape, the Group utilized pricing promotion to stimulate user activity and further strengthen the Tao Piao Piao brand in February 2018 during the CNY Period. Such measure allowed Tao Piao Piao to accelerate its market share expansion in the first quarter of 2018. In the Reporting Period, Tao Piao Piao's gross merchandise volume ("GMV") recorded a growth of more than 80% from the Previous Period. The Group remains confident in the commercial potentials of Tao Piao Piao, therefore, continued to allocate substantial resources to improve its overall business profile. In addition, the Group increased its equity stake in Tao Piao Piao by 9.12% to 96.71% in July 2017.

During the Reporting Period, Tao Piao Piao steadily expanded its revenue base. Its ticketing fee grew in line with its GMV. As Tao Piao Piao continued to solidify its market presence, an increasing number of film producers have begun to engage Tao Piao Piao for online promotion for their films, e.g. Dangal (摔跤吧!爸爸), Duckweed (乘風破浪), both of which achieved strong box office performances in the PRC. The Group also provided joint efforts in promoting and distributing such hits as The Adventurers (俠盜聯盟), Dunkirk (敦刻爾克), and Amazing China (厲害了我的國). In addition, the Group was in charge of the overall promotion and distribution services for several projects, such as Ferdinand (公牛歷險記), Mr. Pride vs Miss Prejudice (傲嬌與偏見) and A Dog's Purpose (一條狗的使命). A Dog's Purpose, a film developed by the Group's investee company Amblin Partners, was promoted with creative digital methods and attained a domestic box office of over RMB600 million, which exceeded that of North America.

The Group's ticket issuance system Yueke has been re-named Yunzhi, and it continued to deliver steady growth. At the end of March 2018, Yunzhi is connected to more than 3,000 cinemas in the PRC. For the Reporting Period, Yunzhi achieved a revenue growth of 25.4% over the Previous Period. The Group's internet-based promotion and distribution business segment generated RMB2,658.6 million of revenue in the Reporting Period, an increase of 128.6% from RMB1,163.2 million in the Previous Period. The surge is primarily attributable to the increase in online ticketing fees and online promotion and distribution fees. As Tao Piao Piao's market share expanded steadily, higher year-over-year marketing expenses were incurred, which contributed to the segment loss of RMB882.5 million for the Reporting Period, compared with the segment loss of RMB891.6 million for the Previous Period.

CONTENT PRODUCTION

The Group released several films in the Reporting Period. In April 2017, the Group released Mr. Pride vs Miss Prejudice (傲嬌與偏見), the domestic box office of which reached RMB124 million. In August, the much anticipated film Once Upon a Time (三生三世十里桃花), featuring highly popular actress Liu Yifei and actor Yang Yang, was released and its box office totaled RMB534 million. In addition to these projects, the Group also co-invested in films developed by other studios. Such films include domestic blockbusters such as Youth (芳華), Operation Red Sea (紅海行動), and The Ex-file: The Return of the Exes (前任3:再見前任), the box offices of which achieved RMB1.42 billion, RMB3.64 billion, and RMB1.94 billion, respectively. Other films that the Group co-invested include This is Not What I Expected (喜歡你), a film starring Takeshi Kaneshiro and Zhou Dongyu, and Paradox (殺破狼:貪狼), featuring Louis Koo. The Group continues to invest in the development of entertainment content selectively. Swords of Legend 2 (古劍奇譚2), which is based on a widely popular game in the PRC, has been developed into a film and drama series that will be shown in the near future.

The Group's content business spans both movies and drama series. In the Reporting Period, the Group sold the broadcasting rights of several drama series to Youku, a related company of the Group. These drama series include Who Is the Best (最强男神) and Ugly Girl Hai Ru Hua (囧女翻身之嗨如花). In terms of financial results, the content production business segment of the Group recorded revenue of RMB585.4 million in the Reporting Period, compared with RMB240.9 million in the Previous Period. The Group recorded a segment profit of RMB8.0 million in the Reporting Period, a significant improvement from a loss of RMB241.3 million in the Previous Period.

Given the current industry characteristics, the Group has strategically improved its domestic content team structure, which is now a combination of internal staff and external studios that the Group works closely with. Full-cycle content production involves significant upfront capital and time investment, therefore project selection is critical to the content business. Such a team structure will allow the Group to source a large number of projects and yet have the flexibility to engage them at various stages of development. The Group will not only continue to co-invest in films, but also drama series, which form a market size comparable to films, shown on either TV stations or online video streaming websites or both.

INTEGRATED DEVELOPMENT

In the Reporting Period, the Group completed numerous IP merchandising projects, the most successful of which was Once Upon a Time (三生三世十里桃花), the GMV of which exceeded RMB300 million on Alibaba's E-commerce platforms. In addition to license its own IPs for merchandising, the Group can sub-license IPs from third parties in order to develop more products. Recently, the Group completed the merger of its own IP merchandising business with Alifish of Alibaba Group. The concentration of resources will allow the Group to intensify the business development of the merchandising business (under the name of Alifish). Going forward, the Group will also work increasingly with Alibaba Group on furthering the entertainment content display and utilization on its e-commerce platforms. Doing so will boost overall user interest and be mutually beneficial for both parties.

The Group's integrated development business segment also consists of Yulebao – a C2B financing platform. The Group completed several C2B financing projects in the Reporting Period. In addition, the Group has implemented measures to lower the overall costs of the C2B financial service and enhance counter-party risk control. The growth and development of the Group's merchandising business contributed significantly to the improved financial performance of integrated development business segment. For the Reporting Period, the segment recorded revenue of RMB58.8 million and profit of RMB32.7 million, greatly improved from revenue of RMB23.7 million and loss of RMB14.3 million in the Previous Period. Most recently, Alifish has obtained the merchandising rights for Traveling Frog (旅行青蛙), a very popular mobile App game originating from Japan.

PROSPECTS

In February 2018, the PRC film industry saw the highest domestic box office numbers ever recorded for the CNY Period. Tao Piao Piao was deeply involved in the promotion of films, fully utilizing its resources and collaborating with Alibaba Group and ANT Financial Services Group. In April 2018, the Group rolled out a new product, which aims at film distribution and marketing companies. The product aggregates the digital advertising resources of the Group together with Alimama and Youku, with features that make the sourcing and tracking of digital advertising services more transparent and convenient. In addition to developing powerful tools for film promotion, the Group has also consistently upgraded its App Tao Piao Piao Pro, which provides relevant and useful industry information and is widely used by industry participants. Furthermore, the Group, through Yunzhi, continues to drive the adoption of its cloud-based ticket issuance systems which will enhance the operational efficiency of cinema operators. The Group's overall strategy continues to be the development of products and services that form the new infrastructure of the industry.

In terms of content development, the Group continues to lead and co-invest in projects selectively, support young production talents through its Plan A initiatives, and build extensive collaborative relationships with top-tier production houses both domestically and internationally. In addition to these endeavors, the Group will also accelerate the cross-development between content and merchandise, games, etc. Such initiative can extend the revenue stream of an original IP and allow for its sustainable development.

Going forward, the Group plans to further enrich Tao Piao Piao's information and media functions, providing content that are interesting and engaging to its users. There will also be more collaborations between the Group and Alibaba Group, not only with their media and digital entertainment units, but also their commerce platforms. Some of these platforms have established large user bases, who have an increasing demand for media and entertainment content. The Group expects to fund its business initiatives in the coming year with its own internal financial resources, but may seek external financing if the appropriate opportunities and conditions arise. Management is confident and excited about the growth prospects of the Group, which continues to develop its ecosystem that generates synergy with Alibaba Group, empowers industry participants, and satisfies the needs of mass end-users.

FINANCIAL REVIEW

Revenue and Profit for the period

During the Reporting Period, the Group recorded revenue of RMB3,302.8 million, representing an increase of 130.7% from the Previous Period. Gross profit during the Reporting Period was RMB2,339.8 million, compared with RMB599.0 million in the Previous Period. Comparing the two periods, all three business segments recorded substantial increases in revenue and improvement in results. The internet-based promotion and distribution segment accounted for the largest portion of the increase in the overall top line, while the content production segment showed the strongest segment result improvement.

Net loss attributable to the owners of the Company amounted to RMB1,658.6 million, compared with RMB1,391.9 million in the Previous Period. The improvement in the Group's business operations was offset in part by the increase in foreign exchange loss due to currency fluctuations.

For the Reporting Period, loss per share (basic and diluted) for the Group amounted to RMB6.56 cents, compared with RMB5.52 cents for the Previous Period.

Selling, Marketing and Administrative Expenses

Selling and marketing expenses in the Reporting Period were RMB3,222.6 million, compared with approximately RMB1,773.9 million in the Previous Period. The increase in selling and marketing expenses was primarily attributable to the marketing expenses incurred by Tao Piao Piao as it expanded its GMV and market share. Administrative expenses grew modestly from RMB894.1 million to RMB968.9 million primarily due to an increased number of employees.

Finance Income

For the Reporting Period, the Group recorded net finance expense of RMB183.9 million, which included foreign exchange loss of RMB278.7 million, compared with net finance income of RMB514.5 million, which included foreign exchange gain of RMB367.4 million in the Previous Period. The decrease in net interest income reflected lower interest income generated in the Reporting Period compared with the Previous Period, as a result of lower cash reserves. As the Group's cash reserves are held in multiple currencies, the foreign exchange loss resulted mainly from the appreciation of RMB against USD and HKD in the Reporting Period.

Material Investments/Dispositions

In July 2017, the Group increased its equity stake in Tao Piao Piao by 9.12% to 96.71%. As at March 31, 2018, the Group held more than 10 investments in associates, all of which were accounted for using the equity method, and combined for a total book value of approximately RMB2.39 billion. The three largest investments are in BONA Film Group Ltd. ("BONA"), Hehe (Shanghai) Pictures Co., Ltd. ("Hehe"), and Storyteller Holding Co., LLC ("Amblin"), which are all involved in film production or distribution. For the Reporting Period, the Group recorded a total gain of RMB37.3 million in its investments in associates.

In April 2018, the Group has agreed to dispose, and Paytm (an online payment solution provider based in India) has agreed to purchase, the Group's entire equity interests in TicketNew. TicketNew, an online movie ticketing platform in India, was a subsidiary of the Company. The Group will receive Paytm's shares in return for the disposition of TicketNew's shares. This transaction is not expected to result in any material gain or loss. As at March 31, 2018, TicketNew was classified as held-for-sale assets and liabilities.

Financial Resources and Liquidity

In the first quarter of 2018, the Group repaid a short-term borrowing of RMB990.0 million, which was secured by restricted cash of approximately RMB1.0 billion. As at March 31, 2018, the Group had cash and cash equivalents and bank deposits of approximately RMB4.4 billion in multiple currencies. The Group had short-term available-for-sale financial assets of approximately RMB667.0 million. The short-term available-for-sale financial assets mainly consist of investments in wealth management products issued by major banks in the PRC with expected return ranged from 2.8% to 5.0% per annum and redeemable within one year. The Group recognized an investment income of approximately RMB99.9 million (as recorded as "other income" in the consolidated statement of profit or loss) from its available-for-sale financial assets in the Reporting Period. The investments in wealth management products under available-for-sale financial assets 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, 2018, the Group had short-term and long-term borrowings of RMB3.0 million and RMB23.3 million respectively, which bear interest at 6.555% per annum, under a five-year RMB-denominated bank facility with credit limit at RMB48 million. As at March 31, 2018, the Group was in a net cash position and its gearing ratio (being net borrowings over total equity) was nil (March 31, 2017: nil).

Foreign Exchange Risks

As at March 31, 2018, the Company held its cash reserves mostly in RMB, USD and HKD. Although the majority of the Group's businesses are conducted in RMB, some investment opportunities and collaborations with studios outside Mainland China may require foreign currencies. Given the Group's substantial cash reserves in foreign currencies and volatilities in their exchange rates, it incurred a material foreign exchange loss in the Reporting Period, in which USD and HKD depreciated by approximately 10% against RMB. The Group continues to monitor its capital needs closely and manage foreign currency reserves according to both internal needs and external environment. The Group has not used any currency hedging instruments but continues to evaluate ways to manage its exposure to foreign currency fluctuations in a cost-effective manner.

Charge on Assets

As at March 31, 2018, the Group did not have any charge on assets (March 31, 2017: nil).

Contingent Liabilities

As at March 31, 2018, the Group did not have any material contingent liabilities (March 31, 2017: nil).

Employees

As at March 31, 2018, the Group, including its subsidiaries but excluding its associates, had 1,442 employees. The total employee benefit expenses of the Group were RMB671.6 million in the Reporting Period. The remuneration policies of the Group are based on prevailing market levels and performance of the respective group companies and individual employees. These policies are reviewed on a regular basis.

CORPORATE GOVERNANCE 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 shareholders' value.

Throughout the fifteen months ended March 31, 2018, 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 "Stock Exchange") (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. Yu Yongfu, appointed as the chairman of the Board on November 21, 2016, had also been the chief executive officer of the Company during the period from December 5, 2016 to August 2, 2017, the date on which Mr. Fan Luyuan was appointed as the chief executive officer of the Company in place of Mr. Yu. Following the appointment of Mr. Fan Luyuan as the chief executive officer of the Company, the Company has been fully in compliance with the code provision A.2.1 with effect from August 2, 2017. Subsequently, in view of the Group's continuous business growth in line with its clear strategic direction, and the fact that Mr. Fan has demonstrated outstanding management and leadership capabilities along with his thorough understanding of the Group's strategy of building new infrastructure for the domestic movie industry since his appointment as the chief executive officer of the Company, Mr. Yu resigned as chairman of the Board, and Mr. Fan was appointed as chairman of the Board, with effect from October 13, 2017. 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 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Tong Xiaomeng and Ms. Song Lixin, being independent non-executive directors of the Company, and Mr. Li Lian Jie and Mr. Shao Xiaofeng, being non-executive directors of the Company, were not able to attend the 2017 annual general meeting of the Company held on June 23, 2017 due to their personal engagements during 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 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 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.

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 fifteen months ended March 31, 2018. 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 fifteen months ended March 31, 2018 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 period under review. 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 the trustee of the share award scheme of the Company adopted by the Board on December 30, 2016 purchased a total of 18,070,000 shares of the Company from the market to satisfy the awarded shares granted to connected employees of the Company upon vesting, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the fifteen months ended March 31, 2018.

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

Hong Kong, May 7, 2018

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