Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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, 2020

The board of directors (the "Director(s)") (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, 2020 together with the comparative figures for the previous year were as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended March 31,	
		2020	2019
	Note	***RMB'000***	*RMB'000*
Revenue	3	**2,874,694**	3,033,844
Cost of sales and services	6	**(1,307,950)**	(1,267,681)
Gross profit		**1,566,744**	1,766,163
Selling and marketing expenses	6	**(1,016,680)**	(1,579,233)
Administrative expenses	6	**(1,044,142)**	(896,785)
(Impairment losses)/reversal of impairment losses on financial assets, net	11	**(381,717)**	21,802
Other income	4	**60,694**	27,668
Other (losses)/gains, net	5	**(166,151)**	163,389
Operating loss		**(981,252)**	(496,996)
Finance income	7	**184,516**	251,136
Finance expenses	7	**(52,643)**	(19,072)
Finance income, net		**131,873**	232,064
Share of loss of investments accounted for using the equity method	10	**(46,186)**	(15,955)
Impairment of investments accounted for using the equity method	10	**(241,051)**	–
Loss before income tax		**(1,136,616)**	(280,887)
Income tax expense	8	**(29,200)**	(15,063)
Loss for the year		**(1,165,816)**	(295,950)
Loss attributable to:			
Owners of the Company		**(1,150,570)**	(253,570)
Non-controlling interests		**(15,246)**	(42,380)
Loss per share for loss attributable to owners of the Company for the year *(expressed in RMB cents per share)*	9		
– Basic		**(4.35)**	(1.00)
– Diluted		**(4.35)**	(1.00)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended March 31, 2020 *RMB'000*	2019 *RMB'000*
Loss for the year	**(1,165,816)**	(295,950)
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Currency translation differences	**74,880**	40,372
Other comprehensive income for the year, net of tax	**74,880**	40,372
Total comprehensive loss for the year	**(1,090,936)**	(255,578)
Attributable to:		
– Owners of the Company	**(1,073,278)**	(213,583)
– Non-controlling interests	**(17,658)**	(41,995)
Total comprehensive loss for the year	**(1,090,936)**	(255,578)

CONSOLIDATED BALANCE SHEET

		As at March 31	
		2020	2019
	Note	***RMB'000***	*RMB'000*
Assets			
Non-current assets			
Property, plant and equipment		**73,575**	200,956
Goodwill		**3,551,116**	3,586,047
Intangible assets		**141,090**	165,803
Right-of-use assets	2.2	**282,261**	—
Deferred income tax assets		**13,054**	419
Investments accounted for using the equity method	10	**2,205,079**	2,401,989
Film and TV rights and investments		**226,666**	–
Bank deposits with the maturity over one year		**–**	50,000
Financial assets at fair value through profit or loss		**860,883**	1,954,542
Trade and other receivables, and prepayments	11	**802,593**	721,292
		8,156,317	9,081,048
Current assets			
Inventories		**–**	660
Film and TV rights and investments		**1,593,065**	1,325,468
Trade and other receivables, and prepayments	11	**1,661,367**	1,824,918
Current income tax recoverable		**2,295**	6,353
Financial assets at fair value through profit or loss		**250,750**	190,017
Cash and cash equivalents		**4,004,528**	3,341,470
Bank deposits with the maturity over three months		**159,496**	828,872
Restricted cash		**20,061**	18,977
		7,691,562	7,536,735
Total assets		**15,847,879**	16,617,783

	Note	As at March 31 2020 RMB'000	2019 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	13	**384,435**	712,310
Deferred income tax liabilities		**70,216**	42,994
Lease liabilities	2.2	**272,176**	3,864
Trade and other payables, and accrued charges	12	**3,000**	6,000
		729,827	765,168
Current liabilities			
Trade and other payables, and accrued charges	12	**963,769**	832,457
Contract liabilities		**131,939**	54,528
Borrowings	13	**10,000**	5,000
Lease liabilities	2.2	**35,874**	8,435
		1,141,582	900,420
Total liabilities		**1,871,409**	1,665,588
Equity			
Equity attributable to owners of the Company			
Share capital		**5,421,652**	5,377,988
Reserves		**8,476,724**	9,478,455
		13,898,376	14,856,443
Non-controlling interests		**78,094**	95,752
Total equity		**13,976,470**	14,952,195
Total equity and liabilities		**15,847,879**	16,617,783

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, 2020, the Company is 50.29% owned by Ali CV Investment Holding Limited ("Ali CV"). Ali CV is a wholly-owned subsidiary of Alibaba Investment Limited ("AIL") which is in turn wholly-owned by Alibaba Group Holding Limited ("AGH").

Since 2019, the entertainment industry in mainland China has faced complicated and difficult operating environment in pursuing profitable operation. The outbreak of COVID-19 in early 2020 has resulted in a significant decrease in the Group's revenue in the fourth quarter of the 2019/2020 Financial Year and constituted to a triggering event of impairment tests of certain assets of the Group. It brought additional challenge to the overall operating environment of the industry and the Group.

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

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") and requirements of the Hong Kong Companies Ordinance Cap.622. 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 HKFRSs 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, 2019:

- HKFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to HKFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to HKAS 28
- Annual Improvements to HKFRS Standards 2015-2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to HKAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments.

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules from April 1, 2019, but has not restarted comparative amounts for the financial year ended March 31, 2019, as applied the simplified transition approach. This is disclosed in Note 2.2. The other amendments listed above did not have any significant impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

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

Certain new accounting standards and amendments have been published that are not mandatory for March 31, 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements.

As indicated in Note 2.1 above, the Group has adopted HKFRS 16 Leases from April 1, 2019, but has not restated comparatives for the March 31, 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on April 1, 2019.

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

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

(a) Practical expedients applied

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

- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at April 1, 2019

- accounting for operating leases with a remaining lease term of less than 12 months as at April 1, 2019 as short-term leases

- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application.

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

(b) *Measurement of lease liabilities*

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

	As at March 31, 2019
	RMB'000
Operating lease commitments disclosed as at March 31, 2019	626,508
Discounted using the lessee's incremental borrowing rate of at the date of initial application	492,434
Add: finance lease liabilities recognized as at March 31, 2019	12,299
Less: short-term leases not recognized as a liability	(9,433)
Less: low-value leases not recognized as a liability	(392)
Less: contracts reassessed as service contracts	(174,262)
Lease liabilities recognized as at April 1, 2019	320,646
Of which are:	
Current lease liabilities	21,393
Non-current lease liabilities	299,253

(c) *Measurement of right-of-use assets*

The right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that leases recognized in the balance sheet as at March 31, 2019.

3. Revenue 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, 2020, the Group's operating and reportable segments are as follows:

- Internet-based promotion and distribution: the operation of an integrated online to offline ("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, 2020			
	Internet-based promotion and distribution *RMB'000*	**Content production** *RMB'000*	**Integrated development** *RMB'000*	**Total** *RMB'000*
Segment revenue				
– recognized at a point in time	**1,208,976**	**428,960**	**221,044**	**1,858,980**
– recognized over time	**995,101**	**–**	**6,680**	**1,001,781**
	2,204,077	**428,960**	**227,724**	**2,860,761**
Income from film and TV investments	**–**	**–**	**13,933**	**13,933**
Total segment revenue	**2,204,077**	**428,960**	**241,657**	**2,874,694**
Including: revenue recognized that was included in the contract liabilities balance at the beginning of the year	**20,681**	**3,538**	**11,751**	**35,970**

	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				
– 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
Including: revenue recognized that was included in the contract liabilities balance at the beginning of the year	14,426	–	–	14,426

Segment revenue and results

	For the year ended March 31, 2020			
	Internet-based promotion and distribution *RMB'000*	Content production *RMB'000*	Integrated development *RMB'000*	Total *RMB'000*
Segment revenue	**2,204,077**	**428,960**	**241,657**	**2,874,694**
Segment results	**449,672**	**(1,661)**	**136,495**	**584,506**
Unallocated selling and marketing expenses				**(34,442)**
Administrative expenses				**(1,044,142)**
Net impairment losses on financial assets				**(381,717)**
Other income				**60,694**
Other losses, net				**(166,151)**
Finance income				**184,516**
Finance expenses				**(52,643)**
Share of loss of investments accounted for using the equity method				**(46,186)**
Impairment of investments accounted for using the equity method				**(241,051)**
Loss before income tax				**(1,136,616)**

	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)

During the years ended March 31, 2020 and 2019, all of the segment revenue reported above is from external customers and there were no inter-segment sales.

Segment results represent the gross profit/(loss) 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 mainland of PRC except certain revenue from the content production segment.

As at March 31, 2020, the Group's non-current assets, other than financial instruments and deferred income tax assets, are located in the Mainland of the PRC, the USA and Hong Kong amounting to RMB3,994,274,000, RMB53,665,000 and RMB104,000 respectively.

During the years ended March 31, 2020 and 2019, the Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue.

4. Other income

	For the year ended March 31,	
	2020	2019
	RMB'000	*RMB'000*
Interest income on loan receivable	**31,779**	6,188
VAT refunds	**10,575**	–
Local government grants	**8,206**	7,251
Additional deduction of input VAT	**7,856**	–
Compensation income	**–**	12,000
Sundry income	**2,278**	2,229
	60,694	27,668

5. Other (losses)/gains, net

	For the year ended March 31,	
	2020	2019
	RMB'000	*RMB'000*
Change in fair value of film and TV investments, at fair value	**(186,069)**	–
Change in fair value of investment in convertible bonds	**(29,035)**	57,913
Change in fair value of unlisted investments	**43,032**	18,487
Change in fair value of investment in wealth management products	**9,257**	50,980
Net gain/(loss) on disposal of property, plant and equipment	**165**	(2,949)
Gain on disposal of a subsidiary	**–**	16,914
Gain on disposal of interest in an associate	**–**	23,422
Others	**(3,501)**	(1,378)
	(166,151)	163,389

6. Expense by nature

	For the year ended March 31,	
	2020	2019
	RMB'000	*RMB'000*
Marketing and promotion expenses	**1,016,680**	1,579,233
Amortization and impairment of film and TV rights	**899,226**	974,656
Employee benefit expenses	**629,763**	543,107
Cost of inventories, cinema ticketing and intellectual property licenses and other services recognized as cost of sales and services	**298,189**	138,849
Payment processing and other service fees	**89,683**	97,966
Depreciation of property, plant and equipment	**63,535**	81,585
Impairment loss on property, plant and equipment	**53,574**	–
Technology service fees	**48,237**	51,488
Depreciation of right-of-use assets	**36,012**	—
Travel and entertainment fees	**35,660**	38,609
Impairment loss on goodwill	**34,931**	21,000
Amortization of intangible assets	**25,743**	13,682
SMS platform service and customer services support fees	**14,189**	16,814
Expenses relating to short-term lease not included in lease liabilities (2019: Operating lease payments)	**10,062**	80,724
Auditor's remunerations		
– Audit services	**4,000**	4,400
– Non-Audit services	**–**	300
Others	**109,288**	101,286
Total cost of sales and services, selling and marketing expenses and administrative expenses	**3,368,772**	3,743,699

Note:

The amount of 'Amortization and impairment of film and TV rights' included an impairment loss on film and TV rights of RMB39,854,000 for the year ended March 31, 2020 (2019: RMB29,149,000).

7. Financial income and expense

	For the year ended March 31,	
	2020	2019
	RMB'000	*RMB'000*
Finance income		
– Exchange gain, net	**104,283**	166,082
– Interest income on bank deposits	**80,233**	85,054
	184,516	251,136
Finance expenses		
– Interest expenses on bank borrowings	**(29,550)**	(13,486)
– Interest expenses on lease liabilities	**(23,093)**	(5,586)
	(52,643)	(19,072)
Finance income, net	**131,873**	232,064

8. Income tax expense

	For the year ended March 31,	
	2020	2019
	RMB'000	*RMB'000*
Current income tax	**14,613**	12,745
Deferred income tax	**14,587**	2,318
	29,200	15,063

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the PRC statutory tax rate as follows:

	For the year ended March 31,	
	2020	2019
	RMB'000	*RMB'000*
Loss before income tax	**(1,136,616)**	(280,887)
Tax calculated at a tax rate of 25% (2019: 25%)	**(284,154)**	(70,222)
Tax effects of:		
– Associates' results reported net of tax	**71,809**	3,989
– Effect of different tax rates of subsidiaries	**21,482**	(3,057)
– Income not subject to tax	**(63,456)**	(76,940)
– Additional deduction in relation to research and development costs	**(2,759)**	(4,754)
– Expenses not deductible for tax purposes	**13,843**	6,232
– Utilization of previously unrecognized tax losses	**(198,551)**	(35,975)
– Temporary differences and tax losses for which no deferred income tax asset was recognized	**470,986**	195,790
Tax charge	**29,200**	15,063

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 the British Virgin Islands ("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% (2019: 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% (2019: 15%) from January 1, 2019 to December 31, 2021 under the relevant PRC tax rules and regulations; and (2) one subsidiary of the Company which is incorporated in Horgos, Xinjiang Province, is exempted from income taxes from its date of incorporation to December 31, 2020 according to the relevant PRC tax rules and regulations.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the years ended March 31, 2020 and 2019. 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 and prior years.

9. Loss per share

	For the year ended March 31,	
	2020	2019
Basic and diluted loss per share (RMB cents)	**(4.35)**	(1.00)

(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.

	For the year ended March 31,	
	2020	2019
Loss attributable to owners of the Company (RMB'000)	**(1,150,570)**	(253,570)
Weighted average number of ordinary shares in issue less shares held for share award scheme (thousands)	**26,478,317**	25,401,893

(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 potential ordinary shares during the years ended March 31, 2020 and 2019, which are share options and unvested awarded shares.

The computation of diluted loss per share for the years ended March 31, 2020 and 2019 did not assume the issuance of any dilutive potential ordinary share since they are antidilutive, which would decrease the loss per share.

10. Investments accounted for using the equity method

	For the year ended March 31,	
	2020	2019
	RMB'000	*RMB'000*
At beginning of the year	**2,401,989**	2,387,742
Additions	**68,890**	18,511
Disposal of investment in an associate	**–**	(16,578)
Share of loss of investments *(Note a)*	**(46,186)**	(15,955)
Impairment *(Note b)*	**(241,051)**	–
Currency translation differences	**21,437**	28,269
At ending of the year	**2,205,079**	2,401,989

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

The financial year end date of the Group is March 31, which is different from those of the associates and joint ventures of the Group. The financial information of the Group's associates and joint ventures as at March 31, 2020 and 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 years ended March 31, 2020 and 2019.

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

During the financial year ended March 31, 2020, as the trend of integration became increasingly pronounced for China's domestic film industry, changes in the industry's overall operating conditions and the market environment had adversely affected the operation and performance of some of the Group's investments accounted for using the equity method. The management of the Company believed that there are indications of impairment for such investments.

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

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

Based on the assessment results, the Company recognized an impairment loss of RMB241,051,000 for the investments accounted for using the equity method of the Group for year ended March 31, 2020.

(c) The 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, 2020.

11. Trade and other receivables, and prepayments

	As at March 31, 2020			As at March 31, 2019		
	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	**543,107**	**–**	**543,107**	240,522	–	240,522
– Third parties	**752,772**	**–**	**752,772**	990,243	–	990,243
Less: allowance for impairment of trade receivables *(Note c)*	**(253,977)**	**–**	**(253,977)**	(32,583)	–	(32,583)
Trade receivables – net	**1,041,902**	**–**	**1,041,902**	1,198,182	–	1,198,182
Prepaid film deposits	**77,000**	**10,000**	**87,000**	70,000	20,000	90,000
Prepayments to related parties	**475**	**–**	**475**	3,044	–	3,044
Other prepayments	**21,496**	**–**	**21,496**	18,728	–	18,728
Other receivables arising from:						
– Receivables from related parties	**44,261**	**–**	**44,261**	71,595	–	71,595
– Loan receivables *(Note b)*	**–**	**838,320**	**838,320**	–	700,000	700,000
– Receivables in relation to other film and TV investments	**269,946**	**–**	**269,946**	128,885	–	128,885
– Deductible VAT input	**86,312**	**–**	**86,312**	107,205	–	107,205
– Receivables in respect of reimbursement of distribution expenses	**48,216**	**–**	**48,216**	36,935	–	36,935
– Refund receivable in relation to the restructuring of an associate	**38,883**	**–**	**38,883**	38,883	–	38,883
– Receivables in respect of reimbursement of movie tickets refund	**30,946**	**–**	**30,946**	–	–	–
– Interest income receivables	**28,430**	**–**	**28,430**	20,873	–	20,873
– Deposits receivables	**23,501**	**–**	**23,501**	86,814	–	86,814
– Others	**101,718**	**4,273**	**105,991**	85,360	1,292	86,652
Less: allowance for impairment of prepayments and other receivables *(Note c)*	**(151,719)**	**(50,000)**	**(201,719)**	(41,586)	–	(41,586)
Prepayments and other receivables – net	**619,465**	**802,593**	**1,422,058**	626,736	721,292	1,348,028
Total trade and other receivables, and prepayments	**1,661,367**	**802,593**	**2,463,960**	1,824,918	721,292	2,546,210

The fair values of the current portion of trade and other receivables 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 following is an aging analysis of trade receivables based on recognition date:

	As at March 31,	
	2020	2019
	RMB'000	*RMB'000*
0-90 days	**386,748**	442,768
91-180 days	**291,037**	328,826
181-365 days	**284,557**	149,897
Over 365 days	**333,537**	309,274
	1,295,879	1,230,765

(b) Loan receivables

In February 2019, the Group lent RMB700,000,000 to Huayi Brothers Media Corporation ("Huayi Brothers"), a third party independent of the Company and its connected persons, 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.

During the year ended March 31, 2020, one of the pledged assets was changed from rights to receive investment return under a fund invested by Huayi Brothers to a property held by Huayi Brothers.

In October 2019, the Group lent US$19,512,000 to Skillgreat Limited, a third party independent of the Company and its connected persons, which bears an interest at 3% per annum with a maturity of three years. The loan receivable is secured by pledge of certain properties held by the related parties of Skillgreat Limited.

(c) Allowance for impairment

During the year, the following gains/(losses) were recognized in profit or loss in relation to impaired financial assets:

	For the year ended March 31	
	2020	2019
	RMB'000	*RMB'000*
Impairment losses on trade receivables	**(221,394)**	(6,061)
Impairment losses on other receivables	**(160,323)**	(2,136)
Reversal of previous impairment losses	**–**	29,999
Net (provision for)/reversal of impairment loss on financial assets	**(381,717)**	21,802

12. Trade and other payables, and accrued charges

	As at March 31, 2020			As at March 31, 2019		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables *(Note a)*						
– Related parties	**29,614**	**–**	**29,614**	63,553	–	63,553
– Third parties	**168,868**	**–**	**168,868**	93,778	–	93,778
	198,482	**–**	**198,482**	157,331	–	157,331
Other payable and accrued charges:						
Amounts due to related parties	**119,921**	**–**	**119,921**	102,857	–	102,857
Payables in relation to distribution of films	**317,572**	**–**	**317,572**	115,599	–	115,599
Payables in relation to film and TV investments	**–**	**–**	**–**	86,920	–	86,920
Payroll and welfare payable	**114,012**	**–**	**114,012**	75,256	–	75,256
Accrued marketing expense	**89,526**	**–**	**89,526**	79,431	–	79,431
Other tax payable	**34,785**	**–**	**34,785**	59,555	–	59,555
Payables in relation to rental and property management fee	**–**	**–**	**–**	43,961	–	43,961
Professional fees payable	**26,139**	**–**	**26,139**	16,019	–	16,019
Deposit from customers	**14,176**	**–**	**14,176**	15,198	–	15,198
Amounts received on behalf of cinemas	**11,119**	**–**	**11,119**	7,996	–	7,996
Consideration payable for acquisition of a subsidiary	**7,000**	**3,000**	**10,000**	4,000	6,000	10,000
Interest payable	**3,568**	**–**	**3,568**	3,671	–	3,671
Amounts received on behalf of cinema ticketing system providers	**2,996**	**–**	**2,996**	3,702	–	3,702
Others	**24,473**	**–**	**24,473**	60,961	–	60,961
	765,287	**3,000**	**768,287**	675,126	6,000	681,126
Total trade and other payables, and accrued charges	**963,769**	**3,000**	**966,769**	832,457	6,000	838,457

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

Note:

(a) Trade payables

As at March 31, 2020 and 2019, the aging analysis of the trade payables based on invoice date is as follows:

	As at March 31,	
	2020	2019
	RMB'000	*RMB'000*
0-90 days	**103,407**	116,196
91-180 days	**60,835**	25,000
181-365 days	**17,258**	1,789
Over 365 days	**16,982**	14,346
	198,482	157,331

13. Borrowings

	As at March 31,	
	2020	2019
	RMB'000	*RMB'000*
Unsecured		
Current	**10,000**	5,000
Non-Current	**384,435**	712,310
	394,435	717,310

As at March 31, 2020 and 2019, the Group's bank borrowings are denominated in the following currencies:

	As at March 31,	
	2020	2019
	RMB'000	*RMB'000*
RMB-denominated	**40,000**	45,000
USD-denominated *(Note a)*	**354,435**	672,310
	394,435	717,310

As at March 31, 2020 and 2019, the Group's bank borrowings are repayable as follows:

	As at March 31,	
	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**10,000**	5,000
Between 1 and 2 years	**369,435**	10,000
Between 2 and 5 years	**15,000**	702,310
	394,435	717,310

The analysis of movements in borrowings is as follows:

	For the year ended March 31, 2020			For the year ended March 31, 2019		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Opening balance	**5,000**	**712,310**	**717,310**	3,000	23,311	26,311
Repayments of bank borrowings *(a)*	**(5,000)**	**(354,435)**	**(359,435)**	(3,000)	–	(3,000)
Reclassification from non-current to current borrowings *(b)*	**10,000**	**(10,000)**	**–**			
Proceeds from bank borrowings	**–**	**–**	**–**	5,000	701,921	706,921
Effect of changes in exchange rate	**–**	**36,560**	**36,560**	–	(12,922)	(12,922)
Closing balance	**10,000**	**384,435**	**394,435**	5,000	712,310	717,310

Notes:

(a) As at March 31, 2020, the Group has a USD-denominated long-term borrowing of USD50,000,000, which bears an interest of 3.75% per annum and has a maturity of four years.

The Group has complied with the financial covenants as stipulated in the loan agreement during the year ended March 31, 2020.

(b) The fair values of current and non-current borrowings approximate their carrying amounts, as the impact of discounting is not significant.

14. Dividend

The Board has resolved not to recommend the payment of a dividend for the year ended March 31, 2020 (2019: nil).

DIVIDENDS

The Board has resolved not to recommend the payment of a dividend for the year ended March 31, 2020 (For the year ended March 31, 2019: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Based on its dual-drive strategy featuring "quality contents and new infrastructures", Alibaba Pictures is committed to "creating influential contents with positive values". Over the past year, the Group dedicated to unifying upstream and downstream operations, as well as online and offline channels throughout the industry chain with its strengths in relevant data and ecosystems. By releasing the potential of each link and redefining the entertainment industry, the Group managed to inspire greater overall growths for the market, and had achieved good results. Since 2019, the entertainment industry in China has generally faced complicated difficulties in pursuing profitable operation, such as slowdown in macroeconomy and decline in performance. Meanwhile, due to the sudden outbreak of COVID-19 epidemic in 2020, many of the Group's business partners in the industry have been facing operating difficulties and risks of disruption of capital chain. Under such circumstances, the Group's certain receivables and investment project(s) are exposed to recovery risk. After prudent consideration and assessment by the management of the Company, the Group has made substantial impairment provisions for certain receivables and investment project(s) for the year ended March 31, 2020 (the "Reporting Period").

Under such circumstances, the Group recorded revenue of RMB2,875 million during the Reporting Period, compared with RMB3,034 million for the year ended March 31, 2019 (the "Previous Period"), representing a decrease of 5% year-over-year. Operating loss expanded from RMB497 million in the Previous Period to RMB981 million for the Reporting Period, widened by 97% year-over-year. Mainly due to the effect of the substantial impairment loss in respect of receivables and investment project(s), net loss attributable to owners of the Company rose from RMB254 million in the Previous Period to RMB1,151 million for the Reporting Period, widened by of 353% year-over-year.

To supplement the Group's consolidated statement of profit or loss presented in accordance with HKFRSs, the Group has also presented its adjusted losses before interest, taxes and amortization (adjusted EBITA), which is not required under HKFRSs, as an additional financial indicator. The management of the Company is of the view that presenting the adjusted EBITA together with the relevant HKFRSs indicators will help investors exclude the potential impact of items which are considered as not being indicative of the operational performance of the Group. Although the adjusted EBITA provides investors and other individuals with helpful information, the adjusted EBITA indicator presented by the management of the Company may not be comparable with similar indicators presented by other companies. In addition, the definition of such financial indicator may vary from those applied by other companies for similar indicators. The Company's adjusted EBITA recorded a loss of RMB722 million during the Reporting Period, widened by 21% as compared with a loss of RMB599 million for the Previous Period.

The major indicators of financial results for the Reporting Period and the Previous Period are summarized in the table below:

	For the year ended March 31,	
	2020	2019
	RMB'000	*RMB'000*
Operating loss	**(981,252)**	(496,996)
Add:		
Share-based compensation	**116,962**	54,943
Impairment loss on goodwill	**34,931**	21,000
Amortization of intangible assets arising on business combinations	**24,658**	13,392
Impairment loss on property, plant and equipment	**53,574**	–
Less:		
Other income	**(60,694)**	(27,668)
Other losses/(gains), net, excluding change in fair value of film and TV investments, current portion, at fair value	**90,232**	(163,389)
The adjusted EBITA	**(721,589)**	(598,718)

The segment revenue and results for the Reporting Period and the Previous Period are summarized in the table below:

	For the year ended March 31,			
	Segment revenue		Segment results	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Internet-based promotion and distribution	**2,204,077**	2,463,642	**449,672**	387,761
Content production	**428,960**	458,875	**(1,661)**	(221,083)
Integrated development	**241,657**	111,327	**136,495**	67,337
Total	**2,874,694**	3,033,844	**584,506**	234,015

Impact of the COVID-19 epidemic

The outbreak of the COVID-19 epidemic in early 2020 brought direct and adverse impact on the upstream and downstream activities across the industry value chain, and further exacerbated the difficulties for the industry in pursuing profitable operation. For the upstream of the industry chain, film and TV shooting activities involving drama series, variety shows and advertisements came to a halt. For the downstream of the industry chain, the loss in box office suffered by cinemas as of late May 2020 was nearly RMB30 billion, while nearly 50% of the annual results of the cinemas have been eroded due to the epidemic.

In terms of revenue, services revenue of ticketing and system providers decreased significantly as a result of the decrease in film attendances. Besides, the film promotion and distribution projects were all suspended during the Chinese New Year holiday and the film crews and advertising shooting were brought to a halt. The Group suffered a huge loss due to the impact of the epidemic. Meanwhile, many of the Group's business partners in the industry have been facing operating difficulties and risks of disruption of capital chain. After prudent consideration and assessment by the management of the Company, the Group has made impairment provisions of approximately RMB800 million for certain receivables and investment projects during the Reporting Period.

As an industry leader and builder in terms of new infrastructures, the Group took prompt action in response to the epidemic. On the one hand, while maintaining real-time settlement of the cinema box office, Tao Piao Piao actively advanced ticket fees which amounted to nearly RMB50 million for cinemas during the Chinese New Year holiday. On the other hand, Yunzhi waived six-month service fees for newly opened cinemas. The free cloud viewing function of the production software business was launched to ensure that film review by the producers would not be interrupted during the epidemic. Amid this hard time, the Group will cooperate with upstream and downstream partners in the industry to press ahead and overcome difficulties, and help the industry fight against and recover from the epidemic.

INTERNET-BASED PROMOTION AND DISTRIBUTION

In terms of revenue, internet-based promotion and distribution is currently one of the Group's important segments. It mainly consists of internet-based ticketing operation and promotion and distribution. While internet-based ticketing operation comprises Tao Piao Piao and Yunzhi, the promotion and distribution comprises Beacon, film promotion and distribution, and film content investment.

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

By integrating with Youku's membership system, Tao Piao Piao has made itself a sizeable and indicative platform for promotion, distribution, cinema ticketing and review in the PRC. Tao Piao Piao has also outperformed its peers with outstanding user decision-making data. In the future, Tao Piao Piao will also focus on the online movie ticketing and review platform, which is one of the Group's key infrastructure projects.

As one-stop promotion and distribution platform of the Group, Beacon has expanded the path of the construction of new infrastructure. Since its debut in April 2018 as a pioneer in the industry, Beacon has been focusing on omni-process digitalization for promotion and distribution, effective placement, low cost and customer value with quantifiable target effect, while exploring industry rules and continuously improving the efficiency in film promotion and distribution. During the Reporting Period, Beacon served 50% of the films shown at domestic cinemas and its serviced film projects were two times of the Previous Period. Up to date, Beacon has provided service to three quarters of studios in the film industry of the PRC, with box office in partnership exceeding RMB60 billion, and the number of films involved in the service reached nearly 400. As a leading internet integrated marketing platform in the film industry, Beacon has also become the engine for the prosperous development of the business of content promotion and distribution by driving the success of the business of promotion and distribution.

In terms of the content investment and distribution business, the Group achieved great progress as it always uphold the "top ranking strategy". During the Reporting Period, more than 400 domestic films were shown at cinemas, with box office amounted to RMB30.6 billion in total, accounting for 64% of the total box office. Among them, the box office of the Top 20 domestic movies was RMB24.4 billion in total, accounting for 80% of that of domestic movies, among which few were profitable. In view of this, top ranking strategy is essential for the content production business and is one of the core competitiveness for content promotion and distribution as well as investment.

During the Reporting Period, the Group participated in 12 of the Top 20 domestic movies and recorded a box office of nearly RMB15 billion from the movies it presented and distributed, which accounted for 61% of that of the Top 20 domestic movies. In addition, film distribution income increased by RMB140 million or more than 260% year-over-year amidst the downward trend across entertainment industry in the Reporting Period. It also actively participated in the content production of movies such as *My People, My Country* (我和我的祖國), *The Captain* (中國機長), *The Bravest* (烈火英雄), *Better Days* (少年的你), *Sheep Without A Shepherd* (誤殺) and *Adoring* (寵愛), which recorded satisfying box office and were highly praised by the public. This demonstrated the Group's farsighted judgment in respect of content production.

Apart from the accomplishments in presentation and distribution of domestic movies, the Group also served as an online marketing platform for high-quality foreign movies. It successively distributed the Academy Award-winning films or Oscar Nominations such as *Capernaum* (何以為家), *Free Solo* (徒手攀岩) and *The Legend of 1900* (海上鋼琴師). It nurtured dark horses in terms of box office one by one with the movie selection approach featuring low budget and high reputation.

The segment revenue and segment margin *(Note)* of the internet-based promotion and distribution business for the Reporting Period and the Previous Period are summarized in the table below:

	For the year ended March 31,			
	Segment revenue		Segment margin	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Ticketing services	**807,633**	1,048,946	**669,675**	863,339
System provider services for Yunzhi	**270,158**	333,738	**270,004**	331,777
Content investment and distribution business	**1,060,644**	961,478	**424,279**	620,988
Others	**65,642**	119,480	**58,332**	103,805
Total	**2,204,077**	2,463,642	**1,422,290**	1,919,909

Note: The segment margin is defined as segment revenue less segment cost.

The internet-based promotion and distribution business recorded revenue of RMB2,204 million, representing a decrease of 11% from RMB2,464 million in the last financial year. The gross profit was RMB1,422 million, down by 26% as compared with the Previous Period. During the Reporting Period, both the box office and film attendances decreased by 20% year-over-year due to the significant impact of the epidemic, and ticketing services recorded revenue and gross profit of RMB808 million and RMB670 million respectively, down by approximately 20% as compared with the Previous Period. Yunzhi, the Group's open platform for digital operation and management of cinemas, together with another cinema ticketing system, continued to rank first among peers in terms of the number of contracted cinemas (over 3,500). Due to the impact of the epidemic, revenue and gross profit decreased by nearly 20% as compared with the Previous Period to RMB270 million respectively.

Content promotion and distribution services and co-invested operation covers operations related to film promotion and distribution, content investment and Beacon. Benefitting from proper content investment strategies and rapid development of Beacon, revenue of RMB1,061 million was recorded during the Reporting Period, representing an increase of RMB100 million or 10% as compared with the Previous Period. Due to the impact of the epidemic and losses in a few international projects, the gross profit recorded a decrease of RMB197 million or 32% to RMB424 million as compared with the Previous Period.

In terms of segment results, benefitting from higher operating efficiency, along with the consolidation of the market share captured by Tao Piao Piao and Yunzhi system provider, the investment of internet-based promotion and distribution business in marketing expense narrowed down significantly, and the segment results increased by 16% to RMB450 million from RMB388 million in the Previous Period.

CONTENT PRODUCTION

Since comprehensively upgrading the drama series production business in the Previous Period, the Group has followed the philosophy that centers on user needs by benefiting from the brand-new approach for resource allocation with synergy advantages of ecosystem, and thus has completed the shooting of 11 drama series during the Reporting Period, thereby providing an abundant reserve of projects for the 2020/21 Financial Year. In July 2019, *Love Better Than Immortality* (天雷一部之春花秋月), one of the Group's low-budget drama series, outperformed peers in that summer season as a black horse with great popularity among the young post-95s generation, staying among the Top 3 on Youku for 47 consecutive days, which made it become a hot drama series in that summer season. Furthermore, the annual hit drama series *The Longest Day in Chang'an* (長安十二時辰) and *Royal Nirvana* (鶴唳華亭), with the Group as one of the producers, have gained considerable acclaims and popularity with their brilliant plots and high quality production and achieved the spread of cultural influence, leading national discussion topics in their popular periods.

In terms of financial results, the Group's content production business segment recorded revenue of RMB429 million during the Reporting Period, as compared with RMB459 million for the Previous Period. The Group recorded a slight loss on segment results of RMB1.67 million during the Reporting Period, compared with a loss of RMB221 million during the Previous Period. The loss narrowed significantly by 99% year-over-year, basically achieving breakeven.

INTEGRATED DEVELOPMENT

The revenue of the film industry in China mainly comes from box office, and the non-box office operations accounts only for a tiny proportion, but there is still huge room for improvement compared with 70% of non-box office revenue in North America. In view of this, the non-box office operations in the film and television industry in the PRC remains a blue ocean market. In terms of non-box office operations, it is an industry-wide consensus in the PRC film industry that intellectual property ("IP") merchandising is driven by common needs, it is one of the fields with tremendous potential for development that should be explored on an expedited basis. The Group believes that by building infrastructure, innovating business models and enhancing efficiency, it will be able to further its accomplishment through the creation of a pan-film market worth over RMB100 billion and the expansion of a single revenue stream of box office operations to diverse revenue streams. Therefore, the merchandise business that centers on IPs represents a brand-new racetrack in the construction of infrastructure. During the Reporting Period, the integrated development business grew rapidly, with revenue still growing at triple digits. The integrated development business consists of Alifish, Yulebao and production software business.

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

The IP licensing business segment of Alifish has made satisfactory progress, having accumulated a wide range of IPs. It serves and operates IPs that cover various types, including films and TV dramas, variety shows, animations and games. Meanwhile, benefiting from its synergy with the M&E Matrix and linkage with AGH's ecosystem of e-commerce, Alifish successfully translated short-term content IPs into licensed merchandise to achieve sales, empowering a large number of IP parties and merchants. During the Reporting Period, Alifish achieved an average revenue per IP of RMB2.21 million through IP monetization, representing an increase of over 60% year-over-year, and demonstrating significant improvement in the efficiency of IP monetization has been increased significantly. In particular, in terms of licensing business, the IPs within the ecosystem, including *Uglydolls* (醜娃娃), *The Captain* (中國機長), *The Longest Day in Chang'an* (長安十二時辰) and *Street Dance of China S2* (這! 就是街舞2), made a breakthrough from single monetization model and extended gradually from merchandise licensing to other models, such as marketing licensing, offline experience station and collaboration between culture and education. The Alifish IP licensing business has received industry-wide recognition. In October 2019, at the Chinese Licensing Exposition, it helped partners jointly win five awards, including the Excellence Award for IP of Choice (*Pokémon*), the Best Movie Award for Licensed IP (*The Story of Ming Lan* (知否知否應是綠肥紅瘦)), the Best Newcomer Award for Licensing, the Best Innovation Award for Licensed Product Design and the Best Licensee - Apparel and Accessories, etc.

In respect of the entertainment e-commerce sub-segment, the integration of IPs and marketing activities has driven strong growths in users and gross merchandise value ("GMV"). During the Double 11 (雙十一) shopping festival in 2019, Alifish's GMV under Tmall fashion trend categories rose by 60% year-over-year and Alifish was widely accredited among resident merchants and younger consumer base for its operating and fans strategy. Alifish serves multiple fashion trend merchants, such as Pop Mart flagship store, hottoys flagship store, Blizzard flagship store; during the Reporting Period, nearly 400 new merchants were signed up under Tmall fashion trend categories, while GMV rose by approximately 50% year-over-year.

In addition, Alifish's IP-to-consumer-to-business (IP2C2B) crowdfunding platform "izhongchou" is actively exploring the Customer-to-Manufacturer model (C2M), aiming at quick monetization of hot IPs and developing new channels for merchants to market new products. Since its launch in early July 2019, the crowdfunding platform has recorded an increase in daily active users of nearly 24 times and completed 6 crowdfunding projects at RMB10 million level. Alifish's crowdfunding platform minimizes the risk of developing new products based on IP licensing and facilitates the development of PRC licensing industry as a whole.

To address the pain points such as high uncertainty, prolonged cycle, large scale of investment and the lack of insurance regulations in the operation of film and television production projects, Yulebao, which forms part of the Group's integrated development business, launched the film and television insurance services. Such insurance services cover the entire cycle from production to distribution, offering coverage for the production and distribution of relevant projects at the lowest cost.

Moreover, Yunshang, a production management system designed for film and TV production, was officially launched in the market during the Reporting Period after a development phase spanning a period of two years, and it was offered to, in aggregate, over 100 film crews from various producers, covering drama series and online movies. Through this system, producers have completed the digitalization of production progress, budget and crew management. Not only is this a never-seen-before accomplishment in the industry, it is also a true testimony to the Group's commitment to "making it easy to do business anywhere".

During the Reporting Period, the integrated development business maintained rapid growths in revenue and operating profit for the second consecutive financial year, recording a 117% increase in revenue to RMB242 million, while its operating profit grew by 103% year-over-year to RMB136 million.

PROSPECTS

On the basis of centering on content of the entertainment industry, the Group cooperated with Damai under the M&E Matrix at the beginning of 2020. As Damai ranks top in terms of market share in the offline show industry in the PRC, the cooperation will become an integral part of the local consumer services provided by the Alibaba Group and improve the digital services.

Going forward, the Group will still be committed to the mission and goal of producing contents about ordinary people performing heroic deeds that come with major emotional appeal while promoting positive values and constructing infrastructures throughout the entire industry chain of the film and television industry. The Group will adhere to three core strategies as follows:

1. to upgrade new infrastructures and establish new media matrix designed for content promotion and distribution with a view to improving the capacity of digital promotion and distribution of the industry; moreover, to expand the customer base of Beacon and maintain the high growth rate of Alifish;

2. to cover all categories of entertainment contents, including tapping into the online movie and variety show production market; meanwhile, Tao Piao Piao will change from a decision-making platform for movies in cinema to one for both movies in cinema and online films;

3. the Group will collaborate with Damai under the M&E Matrix to establish a platform that provides service to consumers in respect of entertainments such as movie and show.

The Group expects to fund its business initiatives in the coming year with its own internal financial resources, but may also 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 RMB2,875 million, representing a decrease of 5% year-over-year. The adjusted EBITA expanded from a loss of RMB599 million in the Previous Period to RMB722 million, representing an increase of 21%. Comparing the two periods, operating revenue was less than that in the Previous Period due to the impact of the epidemic. Meanwhile, due to the allowance for impairment of receivables and investment project(s), net loss attributable to owners of the Company widened from RMB254 million in the Previous Period to RMB1,151 million for the Reporting Period, representing an increase of RMB897 million or 253% year-over-year.

For the Reporting Period, loss per share (basic and diluted) for the Group increased from RMB1.00 cents per share for the Previous Period to RMB4.35 cents.

Selling, Marketing and Administrative Expenses

During the Reporting Period, selling and marketing expenses amounted to RMB1,017 million, representing a year-over-year decrease of 36% when compared with approximately RMB1,579 million in the Previous Period. The decrease was primarily attributable to lowered customer acquisition costs driven by higher overall operating efficiency. Administrative expenses in the Reporting Period grew from RMB897 million to RMB1,044 million, mainly due to the allowance for impairment loss on goodwill and property, plant and equipment made by the management on a prudent basis as well as the increase in employee benefit expenses.

Finance Income

During the Reporting Period, the Group recorded net finance income of RMB132 million, which included exchange gain of RMB104 million. As the Group's cash reserves are held in multiple currencies, the exchange gain resulted mainly from the depreciation of RMB against USD in the Reporting Period.

Material Investments

As at March 31, 2020, 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 RMB2,205 million. The Group held 12 investments in unlisted companies, all of which were accounted for as financial assets at fair value through profit or loss, and combined for a total book value of approximately RMB861 million. During the Reporting Period, the Group recorded a total loss and impairment of RMB287 million in its investments in associates and joint ventures, and total fair value gain of RMB43 million in financial assets at fair value. The Group adopted a conservative strategy in managing its investment portfolio during the Reporting Period.

The Group's significant investment was an investment in associate in relation to Bona Film Group Limited ("Bona Film"), which represented approximately 7.72% of the interest in Bona Film. Bona Film is primarily engaged in film production and distribution. As at March 31, 2020, the carrying amount of the Group's long-term equity investment in Bona Film was RMB997 million, representing approximately 6.3% of the Group's total assets. During the Reporting Period, the Group did not receive any dividend, nor did the Group incur any significant loss, from its investment in Bona Film, and the management of the Company does not expect any significant adverse change to such investment for the next financial year.

Acquisition of a Subsidiary

On March 18, 2020, Zhejiang Dongyang Aliababa Pictures Co., Ltd.* (浙江東陽阿里巴巴影業有限公司), a consolidated subsidiary of the Company, entered into the share transfer agreement in respect of the acquisition of approximately 60% of the equity interest in Tianjin Yinhekuyu Culture Media Co., Ltd.* (天津銀河酷娛文化傳媒有限公司) ("Tianjin Yinhekuyu") (the "Acquisition"). Following the completion of the Acquisition, Tianjin Yinhekuyu will become a subsidiary of the Company. As at the date of this announcement, the Acquisition has not yet been completed.

Financial Resources and Liquidity

As at March 31, 2020, the Group had cash and cash equivalents and bank deposits of approximately RMB4,184 million in multiple currencies. The Group held financial assets at fair value through profit or loss of approximately RMB251 million, which mainly consisted of investments in wealth management products issued by major banks in the PRC with expected return ranging from 3.26% to 4.25% per annum and redeemable within one year. The Group recognized an investment income of approximately RMB9 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, 2020, 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$50 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, 2020, the Group was in a net cash position and its gearing ratio (being net borrowings over total equity) was nil (March 31, 2019: nil). The Group actively and regularly reviews and manages its capital structure to maintain a balance between shareholder return and sound capital position. The Group continually makes adjustments, when necessary, to maintain an optimal capital structure and to reduce the cost of capital.

Foreign Exchange Risks

The Company holds its cash reserves in RMB, USD and HKD. Although the majority of production costs and administrative expenses are denominated in RMB, many investment opportunities and collaborations with studios outside Mainland China still require foreign currencies. The Group will continue to monitor its capital needs closely and manage foreign exchange risks accordingly. The Group has not used any currency hedging instruments, but it aims to ensure that its exposure to exchange rate fluctuation is managed in a cost-effective manner through ongoing assessment.

Charge on Assets

As at March 31, 2020, the Group did not have any charge on assets (March 31, 2019: nil).

Contingent Liabilities

As at March 31, 2020, the Group did not have any material contingent liabilities (March 31, 2019: nil).

Employees and Remuneration Policies

As at March 31, 2020, the Group, including its subsidiaries but excluding its associates and joint ventures, had 1,134 (March 31, 2019: 1,184) employees. The total employee benefit expenses of the Group were RMB630 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. Ms. Zhang Yu, the then non-executive Director, and Mr. Tong Xiaomeng, the independent non-executive Director, were not able to attend the 2019 annual general meeting and the special general meeting of the Company held on September 19, 2019 due to their personal engagement during the meeting time.

Code provision C.1.2 of the CG Code stipulates that management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the Company's performance, financial 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 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, 2020. 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, 2020 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 the trustee of the Share Award Scheme purchased a total of 2,300,000 shares of the Company from the market to satisfy the awarded shares granted to connected employees of the Company upon vesting pursuant to the terms and rules of the Share Award Scheme, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the financial year ended March 31, 2020.

* *For identification purpose only*

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

Hong Kong, May 28, 2020

As at the date of this announcement, the Board comprises Mr. Fan Luyuan and Mr. Meng Jun, being the executive directors; Mr. Xu Hong 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.