阿里巴巴 影业集团
Alibaba Pictures

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

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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020

The board of directors (the "Board") of Alibaba Pictures Group Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended September 30, 2020 together with the comparative figures for the corresponding period in 2019. The unaudited condensed consolidated interim financial information for the six months ended September 30, 2020 has been reviewed by the audit committee of the Company. PricewaterhouseCoopers, the Company's auditor, has conducted its review on the unaudited condensed consolidated interim financial information for the six months ended September 30, 2020 in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, on which they have expressed an unmodified review conclusion.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended September 30,	
		2020	2019
		(Unaudited)	(Unaudited)
	Note	***RMB'000***	*RMB'000*
Revenue	3	**926,669**	1,501,302
Cost of sales and services		**(575,999)**	(602,878)
Gross profit		**350,670**	898,424
Selling and marketing expenses		**(69,130)**	(658,253)
Administrative expenses		**(415,209)**	(474,976)
Impairment losses on financial assets, net		**(80,079)**	(119,930)
Other income	4	**25,128**	44,780
Other losses, net	5	**(7,607)**	(25,901)
Operating loss		**(196,227)**	(335,856)
Finance income	6	**50,184**	115,898
Finance expenses	6	**(10,197)**	(21,204)
Finance income, net		**39,987**	94,694
Share of losses of investments accounted for using the equity method	9	**(8,609)**	(49,343)
Impairment of investments accounted for using the equity method	9	**(5,254)**	(105,000)
Loss before income tax		**(170,103)**	(395,505)
Income tax credit/(expense)	7	**353**	(792)
Loss for the period		**(169,750)**	(396,297)
Attributable to:			
Owners of the Company		**(162,089)**	(390,360)
Non-controlling interests		**(7,661)**	(5,937)
Loss per share attributable to owners of the Company for the period *(expressed in RMB cents per share)*	8		
– Basic		**(0.61)**	(1.48)
– Diluted		**(0.61)**	(1.48)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended September 30,	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Loss for the period	**(169,750)**	(396,297)
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Currency translation differences	**(90,618)**	71,468
Other comprehensive (loss)/income for the period, net of tax	**(90,618)**	71,468
Total comprehensive loss for the period	**(260,368)**	(324,829)
Attributable to:		
Owners of the Company	**(258,132)**	(321,797)
Non-controlling interests	**(2,236)**	(3,032)
Total comprehensive loss for the period	**(260,368)**	(324,829)

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**As at September 30, 2020 (Unaudited)** ***RMB'000***	As at March 31, 2020 (Audited) *RMB'000*
Assets			
Non-current assets			
Property, plant and equipment		**60,782**	73,575
Investment property		**23,143**	–
Goodwill		**3,551,116**	3,551,116
Intangible assets		**133,204**	141,090
Right-of-use assets		**267,624**	282,261
Deferred income tax assets		**13,396**	13,054
Investments accounted for using the equity method	9	**2,176,510**	2,205,079
Film and TV rights and investments		**223,890**	226,666
Financial assets at fair value through profit or loss		**923,646**	860,883
Trade and other receivables, and prepayments	10	**801,397**	802,593
		8,174,708	8,156,317
Current assets			
Film and TV rights and investments		**1,498,429**	1,593,065
Trade and other receivables, and prepayments	10	**1,723,644**	1,661,367
Current income tax recoverable		**598**	2,295
Financial assets at fair value through profit or loss		**170,700**	250,750
Cash and cash equivalents		**3,451,760**	4,004,528
Bank deposits with the maturity over three months		**204,342**	159,496
Restricted cash		**19,681**	20,061
		7,069,154	7,691,562
Total assets		**15,243,862**	15,847,879

	Note	As at September 30, 2020 (Unaudited) RMB'000	As at March 31, 2020 (Audited) RMB'000
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		**5,423,927**	5,421,652
Reserves		**8,295,700**	8,476,724
		13,719,627	13,898,376
Non-controlling interests		**73,693**	78,094
Total equity		**13,793,320**	13,976,470
Liabilities			
Non-current liabilities			
Borrowings	11	**22,500**	384,435
Deferred income tax liabilities		**68,508**	70,216
Lease liabilities		**258,745**	272,176
Trade and other payables, and accrued charges	12	**3,000**	3,000
		352,753	729,827
Current liabilities			
Borrowings	11	**12,500**	10,000
Trade and other payables, and accrued charges	12	**925,941**	963,769
Contract liabilities		**107,723**	131,939
Lease liabilities		**51,625**	35,874
		1,097,789	1,141,582
Total liabilities		**1,450,542**	1,871,409
Total equity and liabilities		**15,243,862**	15,847,879

Notes to the condensed consolidated interim financial information

1 GENERAL INFORMATION

Alibaba Pictures Group Limited (the "Company") and its subsidiaries (together, the "Group") form an internet-driven integrated platform that covers content production, promotion and distribution, IP licensing, cinema ticketing management and data services for the entertainment industry.

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

The Company has its primary listing on The Stock Exchange of Hong Kong Limited (the "HK Stock Exchange") and secondary listing on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). On June 18, 2020, the board of directors of the Company announces that it has sought, and received confirmation from the SGX-ST that it has no objection to the proposed voluntary delisting of the shares of the Company from the Main Board of the SGX-ST subject to certain conditions. As at September 30, 2020, the Company is 50.27% 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").

In the first half of 2020, the global COVID-19 epidemic imposed negative and persistent impact on the film and television industry, resulting in closures of cinemas, suspension of production of films and TV dramas, and a plunge in consumption needs for offline film contents. This has adversely affected the Group's business operations continuously and resulted in a significant decrease in the Group's revenue during the six months ended September 30, 2020.

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended September 30, 2020 has been prepared in accordance with Hong Kong Accounting Standard 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended March 31, 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies applied are consistent with those of the annual financial statements for the year ended March 31, 2020, as described in those annual financial statements, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

Amendments to HKFRS 3 – Regarding definition of a business

Amendments to HKAS 1 and HKAS 8 – Regarding definition of material

Revised Conceptual Framework for Financial Reporting

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Regarding interest rate benchmark reform

The above new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

(b) New standards and amendments not yet adopted by the Group

Certain new standards and amendments have been issued but not yet effective on April 1, 2020 and 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.

3 REVENUES AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the board of directors of the Company. The management of the company has determined the operating segments based on the information reviewed by the board of directors of the Company for the purposes of allocating resources and assessing performance.

The board of directors of the Company considers the business from perspective of types of goods or services delivered or provided. During the six months ended September 30, 2020, 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.

	For the six months ended September 30, 2020 (Unaudited)			
	Internet-based promotion and distribution *RMB'000*	**Content production** *RMB'000*	**Integrated development** *RMB'000*	**Total** *RMB'000*
Segment revenue				
– recognized at a point in time	**305,040**	**353,938**	**157,090**	**816,068**
– recognized over time	**76,344**	**28,125**	**–**	**104,469**
	381,384	**382,063**	**157,090**	**920,537**
Income from film and TV investments	**–**	**–**	**6,132**	**6,132**
Total segment revenue	**381,384**	**382,063**	**163,222**	**926,669**

	For the six months ended September 30, 2019 (Unaudited)			
	Internet-based promotion and distribution *RMB'000*	Content production *RMB'000*	Integrated development *RMB'000*	Total *RMB'000*
Segment revenue				
– recognized at a point in time	712,772	204,604	110,908	1,028,284
– recognized over time	467,394	–	–	467,394
	1,180,166	204,604	110,908	1,495,678
Income from film and TV investments	–	–	5,624	5,624
Total segment revenue	1,180,166	204,604	116,532	1,501,302

Segment revenue and results

	For the six months ended September 30, 2020 (Unaudited)			
	Internet-based promotion and distribution ***RMB'000***	**Content production** ***RMB'000***	**Integrated development** ***RMB'000***	**Total** ***RMB'000***
Segment revenue	**381,384**	**382,063**	**163,222**	**926,669**
Segment results	**129,462**	**66,265**	**89,349**	**285,076**
Unallocated selling and marketing expenses				**(3,536)**
Administrative expenses				**(415,209)**
Impairment losses on financial assets, net				**(80,079)**
Other income				**25,128**
Other losses, net				**(7,607)**
Finance income				**50,184**
Finance expenses				**(10,197)**
Share of losses of investments accounted for using the equity method				**(8,609)**
Impairment of investments accounted for using the equity method				**(5,254)**
Loss before income tax				**(170,103)**

	For the six months ended September 30, 2019 (Unaudited)			
	Internet-based promotion and distribution	Content production	Integrated development	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	1,180,166	204,604	116,532	1,501,302
Segment results	250,698	(75,026)	72,254	247,926
Unallocated selling and marketing expenses				(7,755)
Administrative expenses				(474,976)
Impairment losses on financial assets, net				(119,930)
Other income				44,780
Other losses, net				(25,901)
Finance income				115,898
Finance expenses				(21,204)
Share of losses of investments accounted for using the equity method				(49,343)
Impairment of investments accounted for using the equity method				(105,000)
Loss before income tax				(395,505)

All of the segment revenue reported above is from external customers and there are no intersegment sales for both periods.

Segment results represent the gross profit generated or gross loss incurred by each segment after allocation of certain selling and marketing expenses. This is the measure reported to the board of directors of the Company for the purpose of resource allocation and performance assessments.

Segment assets and liabilities are not regularly reported to the board of directors of the Company and therefore information of separate segment assets and liabilities is not presented.

4 OTHER INCOME

	For the six months ended September 30,	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Investment income on loan receivable and receivable from convertible bonds	**16,489**	28,965
Additional deduction of input VAT	**3,493**	–
Local government grants	**2,081**	13,182
Sundry income	**3,065**	2,633
Total	**25,128**	44,780

5 OTHER LOSSES, NET

	For the six months ended September 30,	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Compensation for investment loss	**(11,491)**	–
Change in fair value of investments in wealth management products	**(3,803)**	(5,762)
Change in fair value of unlisted investments	**9,955**	–
Change in fair value of Film and TV investments, at fair value	**7,550**	–
Losses from settlement of prepaid film deposits	**4,000**	–
Change in fair value of convertible bonds	**–**	29,035
Net gains on disposal of property, plant and equipment	**–**	(167)
Others	**1,396**	2,795
Total	**7,607**	25,901

6 FINANCE INCOME, NET

	For the six months ended September 30,	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Finance income		
– Interest income on bank deposits	**43,586**	33,548
– Exchange gains, net	**6,598**	82,350
	50,184	115,898
Finance expenses		
– Interest expenses on lease liabilities	**(7,624)**	(8,749)
– Interest expenses on bank borrowings	**(2,573)**	(12,455)
	(10,197)	(21,204)
Finance income, net	**39,987**	94,694

7 INCOME TAX CREDIT/(EXPENSE)

	For the six months ended September 30,	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current income tax	**(1,697)**	(6,141)
Deferred income tax	**2,050**	5,349
	353	(792)

The Company, incorporated in Bermuda as an exempted company with limited liability under the Companies Law of Bermuda, is exempted from Bermuda income tax.

Some of the subsidiaries, incorporated in BVI as exempted companies with limited liability under the Companies Law of BVI, are exempted from BVI income tax.

Provision for the PRC enterprise income tax is calculated based on the statutory tax rate of 25% (the six months ended September 30, 2019: 25%) on the assessable income of each of the group companies. One subsidiary of the Company which was incorporated in Horgos, Xinjiang Province, is exempted from income taxes from its date of incorporation to December 31, 2020 according to the relevant PRC tax rules and regulations.

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

8 LOSS PER SHARE

	For the six months ended September 30,	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB cents	*RMB cents*
Basic/diluted loss per share	**0.61**	1.48

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue less shares held for share award scheme during the period.

	For the six months ended September 30,	
	2020	2019
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company *(RMB'000)*	**162,089**	390,360
Weighted average number of ordinary shares in issue less shares held for share award scheme *(thousands)*	**26,588,384**	26,367,531

(b) Diluted

Diluted earnings or loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares for the six months ended September 30, 2020 and 2019, which are share options and unvested awarded shares. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the closing market price per share for the period) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings or loss per share.

The computation of diluted loss per share for the six months ended September 30, 2020 and 2019 do not assume the issuance of any dilutive potential ordinary share since they are antidilutive, which would decrease the loss per share.

9 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	For the six months ended September 30,	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
At April 1,	**2,205,079**	2,401,989
Additions	**–**	9,490
Share of losses of investments *(Note a)*	**(8,609)**	(49,343)
Impairment *(Note b)*	**(5,254)**	(105,000)
Currency translation differences	**(14,706)**	22,937
At September 30,	**2,176,510**	2,280,073

Notes:

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

The financial year end date of the Group is March 31, which is different from those of the associates and joint ventures of the Group. The financial information of the Group's associates and joint ventures as at September 30, 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 six months ended September 30, 2020 and 2019.

(b) The Group determines whether interests in equity investment projects are impaired by regularly reviewing whether there are any indications of impairment in accordance with relevant accounting standards.

When impairment indicators of the equity investment projects are identified, management determines 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.

10 TRADE AND OTHER RECEIVABLES, AND PREPAYMENTS

	As at September 30, 2020 (Unaudited)			As at March 31, 2020 (Audited)		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables *(Note)*						
– Related parties	**730,690**	**–**	**730,690**	543,107	–	543,107
– Third parties	**682,368**	**–**	**682,368**	752,772	–	752,772
Less: allowance for impairment of trade receivables	**(221,718)**	**–**	**(221,718)**	(253,977)	–	(253,977)
Trade receivables – net	**1,191,340**	**–**	**1,191,340**	1,041,902	–	1,041,902
Prepaid film deposits	**40,000**	**10,000**	**50,000**	77,000	10,000	87,000
Prepayments to related parties	**979**	**–**	**979**	475	–	475
Other prepayments	**36,668**	**–**	**36,668**	21,496	–	21,496
Other receivables arising from:						
– Receivables from related parties	**62,985**	**–**	**62,985**	44,261	–	44,261
– Loan receivables	**–**	**849,397**	**849,397**	–	838,320	838,320
– Receivables in relation to other film and TV investments	**238,637**	**–**	**238,637**	269,946	–	269,946
– Receivables in respect of reimbursement of distribution expenses	**95,284**	**–**	**95,284**	48,216	–	48,216
– Deductible VAT input	**69,772**	**–**	**69,772**	86,312	–	86,312
– Refund receivable in relation to the restructuring of an associate	**38,883**	**–**	**38,883**	38,883	–	38,883
– Interest income receivables	**25,906**	**–**	**25,906**	28,430	–	28,430
– Receivables in respect of reimbursement of movie tickets refund	**23,132**	**–**	**23,132**	30,946	–	30,946
– Deposits receivables	**19,105**	**–**	**19,105**	23,501	–	23,501
– Others	**130,406**	**6,604**	**137,010**	101,718	4,273	105,991
Less: allowance for impairment of prepayments and other receivables	**(249,453)**	**(64,604)**	**(314,057)**	(151,719)	(50,000)	(201,719)
Other receivables and prepayments – net	**532,304**	**801,397**	**1,333,701**	619,465	802,593	1,422,058
Total trade and other receivables, and prepayments	**1,723,644**	**801,397**	**2,525,041**	1,661,367	802,593	2,463,960

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

Note:

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 September 30, 2020 (Unaudited) *RMB'000*	As at March 31, 2020 (Audited) *RMB'000*
0 – 90 days	**404,392**	386,748
91 – 180 days	**78,295**	291,037
181 – 365 days	**502,532**	284,557
Over 365 days	**427,839**	333,537
	1,413,058	1,295,879

11 BORROWINGS

	As at September 30, 2020 (Unaudited)	As at March 31, 2020 (Audited)
	RMB'000	*RMB'000*
Current	**12,500**	10,000
Non-current	**22,500**	384,435
	35,000	394,435

As at September 30, 2020 and March 31, 2020, the Group's bank borrowings are denominated in the following currencies:

	As at September 30, 2020 (Unaudited)	As at March 31, 2020 (Audited)
	RMB'000	*RMB'000*
RMB-denominated *(Note a)*	**35,000**	40,000
USD-denominated	**–**	354,435
	35,000	394,435

Movements in borrowings are analysed as follows:

	For the six months ended September 30, 2020		
	Current (Unaudited)	**Non-current (Unaudited)**	**Total (Unaudited)**
	RMB'000	***RMB'000***	***RMB'000***
Opening amount as at April 1	**10,000**	**384,435**	**394,435**
Reclassification from non-current to current borrowings	**7,500**	**(7,500)**	**–**
Repayments of bank borrowings	**(5,000)**	**(353,550)**	**(358,550)**
Effect of changes in exchange rate	**–**	**(885)**	**(885)**
Closing amount as at September 30	**12,500**	**22,500**	**35,000**

Notes:

(a) As at September 30, 2020, the RMB-denominated borrowings are secured by fixed assets amounting to approximately RMB28,927,000 (31 March, 2020: nil).

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

12 TRADE AND OTHER PAYABLES, AND ACCRUED CHARGES

	As at September 30, 2020	**(Unaudited)**		As at March 31, 2020	(Audited)	
	Current	**Non-current**	**Total**	Current	Non-current	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables *(Note)*						
– Related parties	**42,430**	**–**	**42,430**	29,614	–	29,614
– Third parties	**188,364**	**–**	**188,364**	168,868	–	168,868
	230,794	**–**	**230,794**	198,482	–	198,482
Other payables and accrued charges						
Amounts due to related parties	**110,336**	**–**	**110,336**	119,921	–	119,921
Payables in relation to distribution of films	**281,175**	**–**	**281,175**	317,572	–	317,572
Payroll and welfare payable	**91,160**	**–**	**91,160**	114,012	–	114,012
Other tax payable	**48,664**	**–**	**48,664**	34,785	–	34,785
Amounts received on behalf of cinemas	**48,267**	**–**	**48,267**	11,119	–	11,119
Accrued marketing expense	**46,311**	**–**	**46,311**	89,526	–	89,526
Deposits from customers	**14,274**	**–**	**14,274**	14,176	–	14,176
Professional fees payable	**13,144**	**–**	**13,144**	26,139	–	26,139
Amounts received on behalf of cinema ticketing system providers	**11,741**	**–**	**11,741**	2,996	–	2,996
Consideration payable for acquisition of a subsidiary	**3,000**	**3,000**	**6,000**	7,000	3,000	10,000
Interest payable	**1,500**	**–**	**1,500**	3,568	–	3,568
Others	**25,575**	**–**	**25,575**	24,473	–	24,473
	695,147	**3,000**	**698,147**	765,287	3,000	768,287
Total trade and other payables, and accrued charges	**925,941**	**3,000**	**928,941**	963,769	3,000	966,769

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:

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

	As at September 30, 2020 (Unaudited) *RMB'000*	As at March 31, 2020 (Audited) *RMB'000*
0 – 90 days	**114,632**	103,407
91 – 180 days	**39,139**	60,835
181 – 365 days	**60,637**	17,258
Over 365 days	**16,386**	16,982
	230,794	198,482

13 DIVIDENDS

The board of directors of the Company has resolved not to declare an interim dividend for the six months ended September 30, 2020 (the six months ended September 30, 2019: nil).

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended September 30, 2020 (For the six months ended September 30, 2019: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In the first half of the 2020/21 financial year, development of the COVID-19 epidemic and the ever-changing macro environment have brought various challenges to the overall operations of the Group. With the normalization of epidemic prevention and control measures in the PRC, local cinemas have been resuming operations gradually since July 2020, the restriction on cinema attendance has been easing, while schedules for the release of some high quality new films have been fixed successively. Nationwide box office revenue during the 2020 National Day holiday ranked the second highest in history for the corresponding period in the PRC, reflecting the overall recovery of the film industry. During the six months ended September 30, 2020 (the "Reporting Period"), with the impact of the COVID-19 epidemic on the Group's core internet-based promotion and distribution business, the Group recorded total revenue of approximately RMB927 million, compared with revenue of approximately RMB1,501 million for the six months ended September 30, 2019 (the "Previous Period"), representing a decrease of approximately 38% year-over-year. Benefitting from the continual improvement of its diversified business structure and an ample content reserve and the fact that consumers and partners have been increasingly adopting digital entertainment and applying digital tools for management and operations amid the COVID-19 epidemic, the Group has reduced management costs through integration with the Alibaba Digital Economy. As a result, operating loss of the Group narrowed from approximately RMB336 million in the Previous Period to approximately RMB196 million for the Reporting Period, representing a reduction of approximately 42% 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 Group 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. The Group believes that the adjusted EBITA provides investors and other individuals with helpful information, however, 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 approximately RMB130 million during the Reporting Period, narrowed by approximately 53% as compared with a loss of approximately RMB276 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 six months ended September 30, 2020	For the six months ended September 30, 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Operating loss	**(196,227)**	(335,856)
Add:		
Share-based compensation	**76,624**	46,642
Allowance for impairment of goodwill arising on business combinations	**–**	20,533
Amortization of intangible assets arising on business combinations	**7,418**	11,845
Other losses, net	**7,607**	25,901
Less:		
Other income	**(25,128)**	(44,780)
The adjusted EBITA	**(129,706)**	(275,715)

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

	For the six months ended September 30,			
	Segment revenue		**Segment results**	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Internet-based promotion and distribution	**381,384**	1,180,166	**129,462**	250,698
Content production	**382,063**	204,604	**66,265**	(75,026)
Integrated development	**163,222**	116,532	**89,349**	72,254
Total	**926,669**	1,501,302	**285,076**	247,926

Note: Segment results = revenue – cost of sales and services – allocated selling and marketing expenses

Impact of the COVID-19 epidemic

In the first half of 2020, the global COVID-19 epidemic imposed negative and persistent impact on the film and television industry, resulting in closure of cinemas, suspension of production of films and TV dramas, and a plunge in consumption needs for offline film content. Although local cinemas began to resume operation since July 2020 by showing re-screened films, cinema attendance and sales of products were required to strictly comply with the regulations under the local requirements of epidemic prevention and control. With the easing of the epidemic in the PRC, relaxation of restrictions on attendance and the gradual recovery of consumers' offline viewing habits, several films co-invested and distributed by the Group have been making debuts on cinema screens successively since late August this year. However, the progress of recovery of the film market, supply of new films and changing situation of the epidemic have together had substantial impact on the internet-based promotion and distribution business of the Group.

In terms of revenue, film attendances have rebounded with the re-opening of local cinemas from July 2020, but have still fallen short of the level in the corresponding period of last year, resulting in a sharp drop in services revenue of ticketing and system providers. Meanwhile, as affected by the extent of recovery of the film market, fewer films were produced and distributed and less box office revenue was recorded by the Group as compared with the Previous Period, resulting in a significant adverse impact on the services revenue of content promotion and distribution and co-invested operation during the Reporting Period.

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 internet-based promotion and distribution. While internet-based ticketing operation comprises Tao Piao Piao and Yunzhi, internet-based promotion and distribution comprises Beacon, film promotion and distribution, and film content investment.

Not only is Tao Piao Piao, the Group's key platform, through which it provides ticketing services to cinemas, it is also a cinema ticketing and review platform for consumers at large. As a foothold for the Group's endeavors in digital promotion and distribution, Tao Piao Piao fully utilizes its advantages in platform-based resources. Through film promotion centered on quality content, Tao Piao Piao enables films to reach wider potential audiences and has become a preferred partner for promotion and distribution among domestic and international film producers.

Tao Piao Piao upgraded its original products during the Reporting Period. By leveraging on its technological capabilities and through content carriers such as short-form videos, the upgraded Tao Piao Piao has realized omni-scene content operation based on movies and shows. In addition to providing users with broader basis for viewing decision through "Montage/Sidelights/Expert commentaries", it also drove growth in the number of users and enhanced user engagement. The marketing expenditures per user decreased significantly during the Reporting Period due to our new optimized user policies. With the recovery of the movie and show business, local entertainment and consumer services carried by the Tao Piao Piao platform have also been actively integrated into Alibaba's digital platform for consumer services. As an important carrier of the offline entertainment business under the local consumer services strategy, in addition to inviting local cinemas to join the "Double 11 City Life Carnival" (雙11城市生活狂歡節), Tao Piao Piao also optimized the decision-making process of ticket purchase and the mode of information dissemination with its technological capabilities, and upgraded its service from "consumers seeking service" to "targeting service at specific consumers". These efforts, coupled with its refined operation strategies such as coupons and other user incentive measures, helped stimulate the potential of domestic demand and boost the film market.

As the Group's one-stop promotion and distribution platform, Beacon, since its launch in April 2018, has been focusing on customer values including omni-process digitalization for promotion and distribution, effective placement at low cost and quantifiable target effect, while exploring industry rules and improving the efficiency in film promotion and distribution. Beacon Professional performs as a real-time billboard for data of the pan-entertainment industry, covering productions such as films, drama series and variety shows. As one of the industry leaders offering a complete range of infrastructure for the cultural and entertainment categories, it focuses on data inquiry function (updated every second) and customized data analysis service.

During the epidemic, Beacon cooperated with Youku platform to upgrade its original products and became a comprehensive decision-making platform covering cinemas, online movies, drama series and variety shows. Beacon Professional launched "Webcast/Viewing", a module providing daily update on analysis data and rankings for online movies, drama series and variety shows, filling the gaps in data service tools for online contents. While further upgrading the infrastructure and tools for the digital entertainment industry, it also takes into account the market performance of online contents, identifies user needs in collaboration with the platform, guides the direction for transformation of internet-based promotion and distribution, and promotes refined operation of industry data. During the Reporting Period, Beacon served 53 promotion and distribution projects of online movies and drama series including, among others, *The Enchanting Phantom* (倩女幽魂：人間情) and *Ash* (灰燼重生), a year-on-year growth of 76.7%. Following the re-opening of cinemas, Beacon launched a digital workbench for promotion and distribution which provides multi-dimensional data such as "Pre-sale/Interested/Internet popularity", releases pre-sale trend charts and precisely identifies target audiences, thus providing real-time guidance for users to adjust the direction of promotion and distribution, aiming to achieve the effect of the promotional campaign. During the Reporting Period, Beacon has provided promotion and distribution services (including real-time user feedback and accurate placement of promotion and distribution materials) for 73 films, including *Leap* (奪冠). By leveraging on the advantages of the Alibaba ecosystem, it is also exploring innovative film marketing models, improving the efficiency in film promotion and distribution and expanding channels for promotion and distribution, enabling producers to save promotion and distribution cost. Having served 88.1% of the films screened at domestic cinemas, Beacon has provided service to more than 400 resident producers and for over 400 films. The box office revenue of films under partnership exceeded RMB60 billion. Reaching over 800 million users on a daily basis, it covers more than 1 million advertising channels and provides access to over 810,000 new media accounts.

Being affected by the epidemic, the number of, and box office revenue from, films invested and distributed by the Group have both recorded a significant drop as compared with the Previous Period. However, adhering to our value of ordinary people performing heroic deeds that come with major emotional appeal while promoting positive values, the Group remains focused on building its content reserve. Relying on its insight into the classification of audiences for film and TV productions and their preferences, the Group actively seeks and participates in the production of and investment in high quality domestic and foreign films. *The Eight Hundred* (八佰), of which the Group was a co-investor and distributor, was the first domestic blockbuster released at cinemas after their re-opening. Utilizing the intelligent promotion and distribution capabilities of Tao Piao Piao and Beacon as well as an extensive offline local network, specific efforts were made to attract more audiences to watch the film at cinemas after the epidemic. Such efforts included developing products such as test screening and user analysis, and organizing large-scale offline publicity campaigns. As at September 30, 2020, the film had recorded a cumulative box office revenue of over RMB3 billion, making it one of the top ten movies by box office revenue in the history of the domestic film market. As the winner of three Oscars, *1917*, a foreign film of which the Group participated in the promotion and distribution, hit cinema screens at the early stage of the recovery from the epidemic, demonstrating our effort in introducing outstanding films to more domestic audiences. Since the re-opening of cinemas in the PRC in July 2020, as at September 30, 2020, a total box office revenue of over RMB6 billion had been recorded in the PRC, of which, the box office revenue of films which the Group was one of the producers and distributors amounted to RMB4.3 billion, accounting for over 70% of the total box office revenue in the PRC during the Reporting Period, and representing a substantial contribution to the overall recovery of domestic film market. Among films co-invested and distributed by the Group , films of *My People, My Homeland* (我和我的家鄉) and *Leap* (奪冠) had secured two seats among the top three in terms of box office revenue during the National Day holiday, and in aggregate contributed more than 50% of the total box office revenue during the National Day holiday.

The Jin Cheng Co-production Project (錦橙合製計劃) under the Group's film business has also progressed as scheduled. As the first film recording pre-sale revenue of over RMB10 million after resumption of operation of the film market, the low-budget romance film *Love You Forever* (我在時間盡頭等你) achieved a single-day box office revenue of RMB280 million on Chinese Valentine's Day, a record high in the history of the domestic film market. With a cumulative box office revenue of RMB505 million, it emerged as a dark horse and became the box office revenue champion, demonstrating the strong content promotion and distribution capabilities of the Group. Meanwhile, *Coffee or Tea?* (一點就到家), another film under the Jin Cheng Co-production Project, was released during the National Day holiday, receiving considerable acclaims; *Assassin in Red* (刺殺小說家), another fantasy & suspense film under the project, has completed shooting and is scheduled to be released during the Spring Festival next year.

During the Reporting Period, the Group's internet-based promotion and distribution business segment recorded revenue of RMB381 million, a decrease of 68% as compared with RMB1,180 million for the corresponding period of last year. During the Reporting Period, as a result of the impact and restrictions on the entire film industry due to the changing situations of the pandemic at home and abroad, the proportion of revenue contribution by the internet-based promotion and distribution segment has narrowed significantly to 41%, representing a drop of approximately 38% from the corresponding period of last year. The segment recorded financial results of RMB130 million, a year-on-year decrease of 48%.

For comparison purposes, major indicators of financial results of the internet-based promotion and distribution business for the Reporting Period and the Previous Period are summarized in the table below:

	Segment revenue For the six months ended September 30,		**Segment margin For the six months ended September 30,**	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Ticketing services	**90,655**	513,607	**70,637**	433,642
System provider services for Yunzhi	**39,660**	168,149	**38,754**	166,441
Content promotion and distribution services and co-invested operation	**243,749**	459,284	**89,629**	265,297
Others	**7,320**	39,126	**6,073**	34,433
Total	**381,384**	1,180,166	**205,093**	899,813

During the Reporting Period, due to the impact of the epidemic, total box office revenue in the PRC dropped significantly by 79% as compared with the Previous Period, as re-screened films with lower settlement prices dominated the schedules in the early stage of resumption of work and overall film audiences decreased by 81%. During the Reporting Period, the Group's ticketing services recorded revenue of RMB91 million, a decrease of 82% from RMB513 million for 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 ticket-issuing cinemas. During the Reporting Period, system provider services for Yunzhi recorded revenue of RMB40 million, a decrease of 76% compared with RMB168 million for the Previous Period.

Revenue from content promotion and distribution services and co-invested operation covers operations related to film promotion and distribution, content investment and Beacon. Affected by the epidemic, during the Reporting Period, as a result of the lower number of and box office revenue from films and TV productions produced and distributed by the Group as compared with the Previous Period, its revenue had decreased 47% to RMB 244 million, as compared with RMB459 million in the Previous Period. Other operations, including advertising and other commercial services, recorded a decrease of 82% in revenue of RMB7.32 million during the Reporting Period as compared with RMB39 million for the Previous Period.

CONTENT PRODUCTION

Following the comprehensive upgrade of its drama series production business in the previous financial year, the Group has continued to develop its prime productions in the current financial year. On the one hand, based on its insight into market and user needs from multiple dimensions, it reserved and developed a number of high-quality IPs in line with user needs and market trends; on the other hand, taking advantage of the overall content deployment and linkage to resources of Alibaba Group, it has made breakthroughs in terms of theme types, development capabilities as well as content production, and provided users with influential cultural content on an ongoing basis through connection with upstream and downstream partners in the industry chain. *Professional Single* (我憑本事單身), which was produced by the Group, became a hot search on new media soon after its release, ranking first in terms of popularity among online drama series for 3 consecutive days and staying among the Top 5 on Youku for 10 consecutive days, with daily average plays of over 100 million for the topic. Moreover, several other drama series have entered the stage of shooting or preparation and shooting is expected to commence in the second half of the year.

In terms of financial results, the Group's content production business segment recorded revenue of RMB382 million during the Reporting Period, up 87% as compared with RMB205 million for the corresponding period of last year. The Group turned profitable, recording a profit on segment results of RMB66.27 million during the Reporting Period, compared with a loss of RMB75.03 million during the Previous Period.

INTEGRATED DEVELOPMENT

The revenue of the film industry in China mainly comes from box office, and the revenue from non-box office operations only accounts for a small proportion. There is still huge room for improvement when compared with its North American counterpart, whose non-box office revenue accounts for 70% of the total. In view of this, the non-box office operations in the film and television industry in the PRC remain 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 universally required and 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-entertainment market worth over RMB1 trillion and the expansion of a single revenue stream of box office operations to diversity revenue streams. Therefore, the merchandise business that centers on IPs represents a brand-new racetrack in the construction of infrastructure. The integrated development business consists of Alifish, Yulebao and production software business.

Building on the economic foundation of the large fan base in the PRC, the Group's Alifish has transformed into two key sub-segments, namely IP licensing business and entertainment e-commerce, which connects with and integrates the two major industries of entertainment and e-commerce respectively. During the Reporting Period, operating with a business portfolio of more than 200 IPs, Alifish provided licensing and e-commerce services to approximately 2,000 merchants and 22 million consumers, generating a direct or associated gross merchandise volume ("GMV") of over RMB4,400 million. Despite the substantial impact of the epidemic, the financial performance of Alifish still undergoes rapid growth and Alifish has also strengthened its influence and reputation in the industry.

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, benefitting from its synergy with the Alibaba Digital Media & Entertainment Group and linkage with Alibaba e-commerce ecosystem, Alifish successfully translated short-term content IPs into licensed merchandise for sale, empowering a large number of IP parties and merchants. During the Reporting Period, Alifish achieved an average revenue per IP of RMB2.43 million through IP monetization, representing an increase of over 45% year-over-year, which represents a significant improvement in the efficiency of IP monetization. The IPs, including *Pokémon, Louvre* (盧浮宮), *Pac-Man* (吃豆人) and *Street Dance of China S3* (這!就是街舞3), received industry-wide recognition in the licensing business and have 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 cooperation between Alifish and *Street Dance of China S3* created more innovative models for the licensing industry in the PRC – integrating the licensing and marketing functions by taking advantages of the ecosystem of the Alibaba Digital Economy, while quickly establishing a platform which can directly reach consumers and continually communicate and interact with them through content matrix in various forms and based on the e-commerce strongholds of Tmall flagship stores, building a complete link of IP-to-business-to-consumer ("IP2B2C"), facilitating brand incubation through in-depth industrialization development and eventually, facilitating the development of PRC licensing industry as a whole with the power of the platform.

In respect of the entertainment e-commerce sub-segment, the integration of IPs and marketing activities has driven strong growth in users and GMV. During the Reporting Period, in collaboration with multiple channels, including Tmall and Douyin, the art toys category under Alifish organized various online and offline events for art toys enthusiasts, attracted consumers through product launches and innovative marketing campaigns. The operating strategy was widely accredited among resident merchants and the younger consumer base. Nearly 80 new merchants were signed up under Tmall the art toys category operated by Alifish, while GMV rose by approximately 33% year-over-year. Alifish now serves multiple art toys merchants, such as Pop Mart, Bandai and miHoYo.

In addition, Alifish's IP2B2C 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. During the Reporting Period, the crowdfunding platform completed over 1,600 projects, of which 33 were RMB1 million-level, representing a year-on-year increase of 10%. Alifish's crowdfunding platform opens channels for developing new products based on IP licensing and facilitates the development of the licensing industry in the PRC as a whole.

To address the pain point of the lack of an insurance service system for the cultural and entertainment industry, Yulebao, which forms part of the Group's integrated development business, launched an industry-specific "comprehensive protection plan", which aims to support the innovation and development of insurance service system for the cultural and entertainment industry. Moreover, Yunshang, a production management system designed for film and TV production, has been offered to nearly 200 film crews from various producers, covering various film and television production projects such as drama series, cinema movies and online movies.

During the Reporting Period, the integrated development business maintained rapid growth in revenue and operating profit, recording a 40% increase in revenue to RMB163 million, while its operating profit grew by 24% year-over-year to RMB89.35 million.

PROSPECTS

As a film and television company featuring contents and technologies, the Group intends to spread the influence of films to more people and meet the expectation of audience with the use of technologies. The Group intends to establish stronger linkages with other product matrices within the Alibaba Digital Economy, upgrade the entertainment ecosystem of digital content, explore high-quality content and establish close connection with business partners by leveraging on its infrastructure construction capabilities, while promoting technology innovation to seek new opportunities of revenue generation, thereby offering more quality products and contents for the market and creating real value for partners.

Going forward, the Group will continue:

1. to improve its capability to produce film and drama series, with a view to becoming a steady source of high quality content for the market;

2. to increase our investments in Alifish and innovations, maintain the rapid growth of Alifish, and establish a new media matrix designed for content promotion and distribution, with a view to improving the capacity of digital promotion and distribution of the industry;

3. to save cost and explore new sources of income and continue to improve our operating efficiency.

The Group expects to fund its business initiatives in the financial year ending March 31, 2021 with its own internal financial resources, but may seek external financing if appropriate opportunities and conditions arise.

FINANCIAL REVIEW

Revenue and Profit for the Period

During the Reporting Period, the Group recorded revenue of RMB927 million, representing a decrease of 38% year-over-year. The adjusted EBITA reduced by RMB146 million to RMB130 million from a loss of RMB276 million in the Previous Period, representing a decrease of 53%. Comparing the two periods, despite a significant drop in operating revenue due to the impact of the epidemic, benefitting from the diversified business structure, coordinated management approach within the Alibaba Digital Economy and reduction in investment losses, net loss attributable to owners of the Company reduced from RMB390 million in the Previous Period to RMB162 million for the Reporting Period, representing a decrease of RMB228 million year-over-year.

For the six months ended September 30, 2020, loss per share (basic and diluted) for the Group narrowed from RMB1.48 cents per share for the corresponding period of last year to RMB0.61 cents.

Selling, Marketing and Administrative Expenses

During the Reporting Period, selling and marketing expenses amounted to RMB69 million, representing a year-over-year decrease of 90% when compared with approximately RMB658 million in the Previous Period. The proportion of selling and marketing expenses in revenue decreased from 44% to 7%, primarily attributable to lowered customer acquisition costs driven by higher overall operating efficiency and the incomplete recovery of the film market amid the epidemic.

Administrative expenses in the Reporting Period reduced to RMB415 million from RMB475 million in the Previous Period, mainly due to the absence of provision for impairment of goodwill and reduction in other operating expenses during the current period.

Finance Income

During the Reporting Period, the Group recorded net finance income of RMB40 million, which included exchange gains of RMB6.60 million.

Material Investments

As at September 30, 2020, the Group held 14 investments in associates, all of which were accounted for using the equity method, and combined for a total book value of approximately RMB2,177 million. The Group held 13 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 RMB924 million. The top three investments were Bona Film Group Limited ("Bona Film"), HeHe (Shanghai) Pictures Corporation Limited and Storyteller Holding Co., LLC, all of which are engaged in film production or distribution business. During the Reporting Period, the Group recorded a total loss and impairment of RMB8.61 million in its investments in associates. 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, which represented approximately 7.72% of the interest in Bona Film. Bona Film is primarily engaged in film production and distribution. As at September 30, 2020, the carrying amount of the Group's long-term equity investment in Bona Film was approximately RMB997 million, representing 6.5% 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 financial year ending March 31, 2021.

Financial Resources and Liquidity

As at September 30, 2020, the Group had cash and cash equivalents and bank deposits of approximately RMB3,452 million in multiple currencies. The Group held financial assets at fair value through profit or loss of approximately RMB171 million, which mainly consisted of investments in wealth management products issued by major banks in the PRC with expected return ranging from 1.54% to 2.28% per annum and redeemable within one year. The Group recognized an investment income of approximately RMB3.80 million from financial assets at fair value through profit or loss in the Reporting Period. The investments in wealth management products under financial assets at fair value through profit or loss were made in line with the Group's treasury and investment policies, after taking into account, among others, the level of risk, return on investment, liquidity and the term to maturity. As at September 30, 2020, the Group had long-term borrowings of RMB22.50 million and short-term borrowings of RMB12.50 million, which bore interest at 6.555% per annum, under a five-year RMB-denominated bank facility with credit limit at RMB48 million. As at September 30, 2020, the Group was in a net cash position and its gearing ratio (being net borrowings over total equity) was nil (March 31, 2020: 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 September 30, 2020, the Group had pledged borrowings of RMB35 million, which was secured by fixed assets of approximately RMB29 million (March 31, 2020: nil).

Contingent Liabilities

As at September 30, 2020, the Group did not have any material contingent liabilities (March 31, 2020: nil).

Employees and Remuneration Policies

As at September 30, 2020, the Group, including its subsidiaries but excluding its associates, had 1,025 (March 31, 2020: 1,134) employees. The total employee benefit expenses of the Group were RMB311 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

During the six months ended September 30, 2020, the Company has applied and complied with the applicable code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except for certain deviations which are summarized below:

Code provision A.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 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.

MATERIAL CHANGES SINCE MARCH 31, 2020

Save for those disclosed in this announcement, there were no other material changes in the Group's financial position since the publication of the 2019/20 annual report of the Company.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Except that the trustee of the Share Award Scheme purchased a total of 6,000,000 shares of the Company from the market to satisfy the awarded shares granted to connected employees of the Company upon vesting pursuant to the terms and rules of the Share Award Scheme, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the six months ended September 30, 2020.

SUBSEQUENT EVENTS

Save as disclosed in this announcement and as at the date of this announcement, no material events affecting the Group had occurred subsequent to September 30, 2020.

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

Hong Kong, November 19, 2020

As at the date of this announcement, the Board comprises Mr. Fan Luyuan, Mr. Li Jie and Mr. Meng Jun, being the executive directors; Mr. Xu Hong, being a non-executive director; and Ms. Song Lixin, Mr. Tong Xiaomeng and Mr. Johnny Chen, being the independent non-executive directors.