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PROFIT WARNING

The Board wishes to inform the Shareholders and potential investors that, based on its preliminary assessment of the latest unaudited consolidated management accounts of the Group, it is expected that the net loss attributable to owners of the Company to be recorded by the Group for the six months ended September 30, 2019 will range between RMB370 million and RMB400 million, primarily due to an impairment provision made by the Group for certain historical equity investment project(s) and a significant decrease in foreign exchange gains recorded during the six months ended September 30, 2019.

Shareholders and potential investors should exercise caution when they deal or contemplate dealing in the shares or other securities of the Company.

This announcement is made by Alibaba Pictures Group Limited (the “Company”, together with its subsidiaries, the “Group”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The board of directors of the Company (the “Board”) wishes to inform shareholders of the Company (the “Shareholders”) and potential investors that, based on its preliminary assessment of the latest unaudited consolidated management accounts of the Group, it is expected that the net loss attributable to owners of the Company to be recorded by the Group for the six months ended September 30, 2019 (the “First Half of the 2019/2020 Financial Year”) will range between RMB370 million and RMB400 million, compared with a similar loss of approximately RMB126 million for the six months ended September 30, 2018.

The significant increase in loss of the Group for the First Half of the 2019/2020 Financial Year was primarily due to an impairment provision of approximately RMB105 million made by the Group for certain historical equity investment project(s) and a significant decrease in foreign exchange gains of approximately RMB110 million recorded during the above period.

Over the past few years, the Group has been committed to building new infrastructure for the entire film and TV industry chain, to creating influential contents that promote positive values, and to unifying upstream and downstream operations, as well as online and offline channels throughout the industry chain. During the First Half of the 2019/2020 Financial Year, 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 have resulted in a significant loss recorded for some of the Group's historical equity investment project(s). After prudent consideration and assessment, the management of the Company believes that there are indications of impairment for such investment project(s) of the Group. Based on the principle of showing greater discipline and discretion for the benefit of the Shareholders, the management of the Company considers it necessary to make an impairment provision for such investment project(s) during the period. On the other hand, the Group recorded a significant decrease in foreign exchange gains for the First Half of the 2019/2020 Financial Year due to the moderated appreciation of US dollar against Renminbi during the period as compared with the corresponding period last year.

During the First Half of the 2019/2020 Financial Year, despite facing challenges arising from changes in the industry's overall operating conditions and the market environment, the Group made a significant improvement in EBITA of approximately 35% to 50% as compared with the corresponding period last year. Further, in light of the Group's sufficient cash reserves and adequate inventory of films and TV dramas, the management of the Company believes that making an impairment provision for certain investment project(s) during the First Half of the 2019/2020 Financial Year will not have a material adverse impact on the Group's cash flows or operations, and it remains optimistic on the growth in each segment of the Group for the second half of the 2019/2020 financial year since the integration with Alibaba Digital Media & Entertainment business group at the beginning of this financial year. Looking ahead, the Group will maintain its focus on building infrastructure for the entire film and TV industry chain, and on enhancing industry-wide digital capabilities. Meanwhile, it will continue to leverage Alibaba Group's ecosystem to deliver economic benefits through integrated ecological platforms, with a view to creating greater value for the Shareholders.

The expected loss attributable to owners of the Company for the six months ended September 30, 2019 described in this announcement is only based on a preliminary assessment by the Board of the unaudited consolidated management accounts of the Group and other information currently available to the Company. This information has not been audited or reviewed by the auditors or the audit committee of the Company. As the Company is still in the process of finalizing its interim results for the six months ended September 30, 2019 (the "2019/2020 Interim Results"), the actual results may differ from what is disclosed in this announcement. Further details of the Company's 2019/2020 Interim Results will be provided in the Company's 2019/2020 Interim Results announcement, which is expected to be released in late November 2019.

Shareholders and potential investors should exercise caution when they deal or contemplate dealing in the shares or other securities of the Company.

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

Hong Kong, October 18, 2019

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