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Alibaba Pictures Group Limited 阿里巴巴影业集团有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1060)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED MARCH 31, 2022

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, 2022 (the “Reporting Period”) together with the comparative figures for the year ended March 31, 2021 (the “Previous Period”) were as follows:

FINANCIAL HIGHLIGHTS

	For the year ended		Changes %
	2022	2021	
	RMB'000	RMB'000	
Revenue	3,652,170	2,858,897	28
Profit/(loss) attributable to owners of the Company	169,853	(96,311)	NM
Operating profit/(loss)	279,216	(107,528)	NM
Adjusted EBITA	143,350	118,220	21

NM: Not meaningful

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended March 31	
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
Revenue	3	3,652,170	2,858,897
Cost of sales and services	6	<u>(2,157,025)</u>	<u>(1,471,489)</u>
Gross profit		1,495,145	1,387,408
Selling and marketing expenses	6	(564,571)	(438,674)
Administrative expenses	6	(925,474)	(870,013)
Impairment losses on financial assets, net		(176,150)	(143,844)
Other income	4	113,078	47,345
Other gains/(losses), net	5	<u>337,188</u>	<u>(89,750)</u>
Operating profit/(loss)		279,216	(107,528)
Finance income	7	91,988	102,292
Finance expenses	7	(12,703)	(18,746)
Finance income, net		79,285	83,546
Share of loss of and gain on dilution of investments accounted for using the equity method	10	(10,749)	(3,751)
Impairment of investments accounted for using the equity method	10	<u>(218,850)</u>	<u>(90,254)</u>
Profit/(loss) before income tax		128,902	(117,987)
Income tax credit	8	<u>25,413</u>	<u>802</u>
Profit/(loss) for the year		<u>154,315</u>	<u>(117,185)</u>
Profit/(loss) attributable to:			
Owners of the Company		169,853	(96,311)
Non-controlling interests		<u>(15,538)</u>	<u>(20,874)</u>
Earnings/(loss) per share attributable to owners of the Company for the year <i>(expressed in RMB cents per share)</i>	9		
– Basic		0.64	(0.36)
– Diluted		<u>0.64</u>	<u>(0.36)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended	
		March 31	
		2022	2021
<i>Note</i>		RMB'000	RMB'000
	Profit/(loss) for the year	154,315	(117,185)
	Other comprehensive loss:		
	<i>Items that may be reclassified to profit or loss</i>		
	Share of other comprehensive income of an associate	10 1,393	–
	Currency translation differences attributable to owners of the Company	(79,691)	(162,860)
	<i>Items that may not be reclassified to profit or loss</i>		
	Currency translation differences attributable to non-controlling interests	<u>(8,312)</u>	<u>(3,438)</u>
	Other comprehensive loss for the year, net of tax	<u>(86,610)</u>	<u>(166,298)</u>
	Total comprehensive income/(loss) for the year	<u>67,705</u>	<u>(283,483)</u>
	Attributable to:		
	– Owners of the Company	91,555	(259,171)
	– Non-controlling interests	<u>(23,850)</u>	<u>(24,312)</u>
	Total comprehensive income/(loss) for the year	<u>67,705</u>	<u>(283,483)</u>

CONSOLIDATED BALANCE SHEET

		As at March 31	
		2022	2021
	Note	RMB'000	RMB'000
Assets			
Non-current assets			
Property, plant and equipment		23,352	62,113
Investment property		21,400	22,562
Goodwill		3,551,116	3,551,116
Intangible assets		113,676	126,461
Right-of-use assets		148,043	244,868
Deferred income tax assets		13,401	11,453
Investments accounted for using the equity method	10	1,723,173	2,075,319
Film and TV rights and investments		204,067	221,413
Financial assets at fair value through profit or loss		1,317,685	1,131,683
Trade and other receivables, and prepayments	11	598,989	691,847
		<u>7,714,902</u>	<u>8,138,835</u>
Current assets			
Inventories		17,831	–
Film and TV rights and investments		1,740,729	1,305,498
Trade and other receivables, and prepayments	11	2,546,345	2,171,718
Current income tax recoverable		–	946
Financial assets at fair value through profit or loss		–	7,000
Cash and cash equivalents		3,538,214	3,897,802
Restricted cash		18,677	19,083
		<u>7,861,796</u>	<u>7,402,047</u>
Total assets		<u><u>15,576,698</u></u>	<u><u>15,540,882</u></u>

		As at March 31	
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
Liabilities			
Non-current liabilities			
Borrowings	13	–	15,000
Deferred income tax liabilities		49,302	62,657
Lease liabilities		137,231	247,513
		<u>186,533</u>	<u>325,170</u>
Current liabilities			
Trade and other payables, and accrued charges	12	1,119,921	1,252,279
Contract liabilities		186,345	61,297
Current tax liabilities		883	243
Borrowings	13	9,375	15,000
Lease liabilities		30,639	48,955
		<u>1,347,163</u>	<u>1,377,774</u>
Total liabilities		<u>1,533,696</u>	<u>1,702,944</u>
Equity			
Equity attributable to owners of the Company			
Share capital		5,452,976	5,424,523
Reserves		8,564,131	8,361,798
		<u>14,017,107</u>	<u>13,786,321</u>
Non-controlling interests		<u>25,895</u>	<u>51,617</u>
Total equity		<u>14,043,002</u>	<u>13,837,938</u>
Total equity and liabilities		<u>15,576,698</u>	<u>15,540,882</u>

Notes:

1. GENERAL INFORMATION

Alibaba Pictures Group Limited (the “Company”) and its subsidiaries (together, the “Group”) form an integrated platform with content and technology as the core, covering content production, promotion and distribution, IP merchandising licensing and commercial management, cinema ticketing management and Internet 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 shares of the Company are listing on The Stock Exchange of Hong Kong Limited (the “HK Stock Exchange”). As at March 31, 2022, the Company is approximately 50.00% 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”).

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, 2021:

- Interest Rate Benchmark Reform – Phase 2 – amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16
- COVID-19-Related Rent Concessions – amendments to HKFRS 16

The 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, 2022 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.

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, 2022, the Group's operating and reportable segments are as follows:

- Content: the investment and production of entertainment contents such as film and drama series both domestically and internationally.
- Technology: the construction and operation of pan-entertainment infrastructure that promotes the digital upgrade of the entertainment sector. The business mainly comprises digital platform ticketing, digitalization business and others.
- IP merchandising and commercialization: to integrate the licensing and marketing functions by establishing a platform which can directly reach consumers and continually communicate and interact with them through content matrix in various forms, building a complete link of IP-to-business-to-consumer (“IP2B2C”).

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, 2022			Total RMB'000
	Content RMB'000	Technology RMB'000	IP merchandising and commercialization RMB'000	
Segment revenue				
– recognized at a point in time	1,632,195	756,883	440,255	2,829,333
– recognized over time	315,662	503,347	–	819,009
	<u>1,947,857</u>	<u>1,260,230</u>	<u>440,255</u>	<u>3,648,342</u>
Income from film and TV investments	–	3,828	–	3,828
	<u>–</u>	<u>3,828</u>	<u>–</u>	<u>3,828</u>
Total segment revenue	<u>1,947,857</u>	<u>1,264,058</u>	<u>440,255</u>	<u>3,652,170</u>
<i>Including: revenue recognized that was included in the contract liabilities balance at the beginning of the year</i>				
	14,680	27,239	7,418	49,337
	<u>14,680</u>	<u>27,239</u>	<u>7,418</u>	<u>49,337</u>
	For the year ended March 31, 2021			Total RMB'000
	Content RMB'000	Technology RMB'000	IP merchandising and commercialization RMB'000	
Segment revenue				
– recognized at a point in time	1,025,907	701,936	307,080	2,034,923
– recognized over time	398,947	412,323	–	811,270
	<u>1,424,854</u>	<u>1,114,259</u>	<u>307,080</u>	<u>2,846,193</u>
Income from film and TV investments	–	12,704	–	12,704
	<u>–</u>	<u>12,704</u>	<u>–</u>	<u>12,704</u>
Total segment revenue	<u>1,424,854</u>	<u>1,126,963</u>	<u>307,080</u>	<u>2,858,897</u>
<i>Including: revenue recognized that was included in the contract liabilities balance at the beginning of the year</i>				
	9,170	57,052	12,415	78,637
	<u>9,170</u>	<u>57,052</u>	<u>12,415</u>	<u>78,637</u>

Segment revenue and results

	For the year ended March 31, 2022			
			IP merchandising and commercialization	Total
	Content <i>RMB'000</i>	Technology <i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue	<u>1,947,857</u>	<u>1,264,058</u>	<u>440,255</u>	<u>3,652,170</u>
Segment results	<u>317,493</u>	<u>430,949</u>	<u>197,103</u>	<u>945,545</u>
Unallocated selling and marketing expenses				(14,971)
Administrative expenses				(925,474)
Impairment losses on financial assets, net				(176,150)
Other income				113,078
Other gains, net				337,188
Finance income				91,988
Finance expenses				(12,703)
Share of loss of and gain on dilution of investments accounted for using the equity method				(10,749)
Impairment of investments accounted for using the equity method				<u>(218,850)</u>
Profit before income tax				<u><u>128,902</u></u>

	For the year ended March 31, 2021			Total RMB'000
	Content RMB'000	Technology RMB'000	IP merchandising and commercialization RMB'000	
Segment revenue	<u>1,424,854</u>	<u>1,126,963</u>	<u>307,080</u>	<u>2,858,897</u>
Segment results	<u>344,407</u>	<u>461,670</u>	<u>161,238</u>	<u>967,315</u>
Unallocated selling and marketing expenses				(18,581)
Administrative expenses				(870,013)
Impairment losses on financial assets, net				(143,844)
Other income				47,345
Other losses, net				(89,750)
Finance income				102,292
Finance expenses				(18,746)
Share of loss of investments accounted for using the equity method				(3,751)
Impairment of investments accounted for using the equity method				<u>(90,254)</u>
Loss before income tax				<u><u>(117,987)</u></u>

During the years ended March 31, 2022 and 2021, all of the segment revenue reported above was from external customers and there were no inter-segment sales.

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

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

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

As at March 31, 2022, the Group's non-current assets, other than financial instruments and deferred income tax assets, were located in the Mainland of the PRC, the USA and Hong Kong amounting to RMB3,851,728,000, RMB5,782,000 and RMB77,000, respectively.

For the year ended March 31, 2022, approximately 22% of the total revenue of the Group was derived from one single customer (2021: 19%). Other than this single customer, no other customer contributed 10% or more of the Group's revenue during the years ended March 31, 2022 and 2021.

4. Other income

	For the year ended	
	March 31,	
	2022	2021
	RMB'000	RMB'000
Dividend income	59,890	–
Interest income on loan receivables	28,239	33,803
Additional deduction of input VAT	12,066	6,140
Local government grants	4,898	2,407
Refund of service fee for withholding IIT	4,215	1,686
Sundry income	3,770	3,309
	<u>113,078</u>	<u>47,345</u>

5. Other gains/(losses), net

	For the year ended	
	March 31,	
	2022	2021
	RMB'000	RMB'000
Change in fair value of unlisted investments	320,587	(69,494)
Change in fair value of film and TV investments, at fair value	79,192	(20,841)
Gain on disposal of subsidiaries	27,236	–
Gain/(loss) on disposal of an associate	16,844	(11,167)
Net gains on disposal of film and TV investments	9,460	–
Trade and other payables written off	6,670	–
Change in fair value of investment in wealth management products	75	4,816
Net loss on disposal of property, plant and equipment	(565)	(202)
Change in fair value of listed investment	(121,012)	–
Compensation for the loss from film rights distribution	–	11,491
Losses from settlement of prepaid film deposits	–	(4,000)
Others	(1,299)	(353)
	<u>337,188</u>	<u>(89,750)</u>

6. Expense by nature

	For the year ended	
	March 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Film and TV copyrights recognized as cost of sales and services	1,542,116	1,018,168
Employee benefit expenses	648,683	594,707
Marketing and promotion expenses	564,571	438,674
Cost of inventories, cinema ticketing and intellectual property licenses and other services recognized as cost of sales and services	543,990	381,174
Payment processing and other service fees	75,676	66,090
Technology service fees	55,859	69,390
Depreciation of right-of-use assets	41,395	32,392
Depreciation of property, plant and equipment	41,280	33,296
Travel and entertainment fees	21,829	15,877
Amortization of intangible assets	13,958	14,808
SMS platform service and customer service support fees	8,595	3,688
Impairment loss on property, plant and equipment	7,607	–
Rental expense for short-term and low-value leases	660	1,461
Auditor's remunerations		
– Audit services	4,000	4,000
Others	76,851	106,451
	<hr/>	<hr/>
Total cost of sales and services, selling and marketing expenses and administrative expenses	3,647,070	2,780,176
	<hr/> <hr/>	<hr/> <hr/>

Note:

The amount of 'Film and TV copyrights recognized as cost of sales and services' included an impairment loss on film and TV rights of RMB53,974,000 for the year ended March 31, 2022 (2021: RMB24,159,000).

7. Financial income and expense

	For the year ended	
	March 31,	
	2022	2021
	RMB'000	RMB'000
Finance income		
– Interest income on bank deposits	73,276	82,822
– Exchange gain, net	18,712	19,470
	<u>91,988</u>	<u>102,292</u>
Finance expenses		
– Interest expenses on lease liabilities	(11,553)	(14,940)
– Interest expenses on bank borrowings	(1,150)	(3,806)
	<u>(12,703)</u>	<u>(18,746)</u>
Finance income, net	<u>79,285</u>	<u>83,546</u>

8. Income tax credit

	For the year ended	
	March 31,	
	2022	2021
	RMB'000	RMB'000
Current income tax	10,110	(5,156)
Deferred income tax	15,303	5,958
	<u>25,413</u>	<u>802</u>

The tax on the Group's profit/(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,	
	2022	2021
	RMB'000	RMB'000
Profit/(loss) before income tax	128,902	(117,987)
Tax calculated at a tax rate of 25% (2021: 25%)	32,226	(29,497)
Tax effects of:		
– Effect of different tax rates of subsidiaries	(67,895)	1,925
– Associates' and joint ventures' results reported net of tax	2,687	938
– Income not subject to tax	(5,740)	(848)
– Additional deduction in relation to research and development costs	(2,041)	(3,297)
– Expenses not deductible for tax purposes	3,005	9,838
– Refund of income tax from previous years	(11,996)	–
– Utilization of previously unrecognized tax losses	(154,345)	(113,435)
– Temporary differences and tax losses for which no deferred income tax asset was recognized	178,686	133,574
	<u>178,686</u>	<u>133,574</u>
Tax credit	(25,413)	(802)
	<u>(25,413)</u>	<u>(802)</u>

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

Provision for the PRC enterprise income tax is calculated based on the statutory tax rate of 25% (2021: 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% (2021: 15%) 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 the first year of generating revenue before December 31, 2030 and the exemption period is five years according to the relevant PRC tax rules and regulations.

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

9. Earnings/(loss) per share

	For the year ended March 31,	
	2022	2021
Basic and diluted earnings/(loss) per share (RMB cents)	0.64	(0.36)

(a) Basic

Basic earnings or loss per share is calculated by dividing the profit/(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,	
	2022	2021
Profit/(loss) attributable to owners of the Company (RMB'000)	169,853	(96,311)
Weighted average number of ordinary shares in issue less shares held for share award scheme (thousands)	26,614,256	26,605,014

(b) Diluted

Diluted earnings or loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential dilutive ordinary shares. The Company had two categories of potential ordinary shares during the years ended March 31, 2022 and 2021, which are share options and unvested awarded shares.

For the year ended March 31, 2022, diluted earnings per share is calculated based on the profit for the year attributable to owners of the Company and the weighted average number of ordinary shares outstanding after adjustment only for unvested awarded shares granted to employees while share options granted to employees had anti-dilutive effect.

For the year ended March 31, 2021, the computation of diluted loss per share did not assume the issuance of any dilutive potential ordinary share since they were antidilutive, which would decrease the earnings or loss per share.

	For the year ended March 31,	
	2022	2021
Profit/(loss) attributable to owners of the Company (RMB'000)	169,853	(96,311)
Weighted average number of ordinary shares in issue less shares held for share award scheme (thousands)	26,614,256	26,605,014
Adjustments for share options and unvested awarded shares:		
– Unvested awarded shares assumed vested (thousands)	80,868	–
Weighted average number of ordinary shares for calculation of diluted earnings per share (thousands)	26,695,124	–
Diluted earnings/(loss) per share (RMB cents)	0.64	(0.36)

10. Investments accounted for using the equity method

	For the year ended	
	March 31,	
	2022	2021
	RMB'000	RMB'000
At beginning of the year	2,075,319	2,205,079
Additions	9,250	–
Disposal of investment in an associate (<i>Note a</i>)	(121,900)	(11,167)
Share of loss of investments (<i>Note b</i>)	(18,673)	(3,751)
Gain on dilution of interest in an associate (<i>Note c</i>)	7,924	–
Share of other comprehensive income of an associate	1,393	–
Share of changes of other reserves of an associate	268	–
Impairment (<i>Note d</i>)	(218,850)	(90,254)
Currency translation differences	(11,558)	(24,588)
	<u>1,723,173</u>	<u>2,075,319</u>
At end of the year	<u>1,723,173</u>	<u>2,075,319</u>

Notes:

- (a) For the year ended March 31, 2022, the Group disposed Beijing Yue Kai Film & Television Media Limited Company, an associate of the Group, and the difference between the carrying value of approximately RMB121,900,000 and cash consideration of approximately RMB138,744,000 was recognized as “other gains/(losses), net” in the consolidated statement of profit or loss.
- (b) When the most recently available financial statements of associates or joint ventures are different from the Group’s reporting date, the Group may take advantage of the provision contained in HKAS 28 whereby it is permitted to include the attributable share of profit or loss of the associates or joint ventures based on the financial statements drawn up to a non-coterminous period end where the difference must be no greater than three months. Adjustments shall be made for the effects of significant transactions or events that occur between that date and the balance sheet date of the Group.

The financial year end date of the Group is March 31, which is different from 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, 2022 and 2021 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, 2022 and 2021.

- (c) The amount represented the dilution gain on the Group’s investment in Wuhan Two Ten Culture Communication Limited Company (“Wuhan Two Ten”). As at March 31, 2021, the Group’s interests in Wuhan Two Ten was 20%. During the year ended March 31, 2022, Wuhan Two Ten issued new shares to certain investors. Consequently, the Group’s interests in Wuhan Two Ten was diluted from 20% to 18%. The difference between (1) the decrease in the carrying value of the Group’s interest in Wuhan Two Ten resulting from the decrease in percentage of shareholding and (2) the Group’s share of the proceeds received for the new shares issued resulted in a dilution gain of RMB7,924,000 and was recognized in the consolidated statement of profit or loss for the year ended March 31, 2022.

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

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

Based on the assessment results, the Group recognized an impairment loss of RMB218,850,000 (2021: RMB90,254,000) for the investments accounted for using the equity method of the Group for year ended March 31, 2022.

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

- (e) The Directors of the Company are of the view that none of the Group's associates or joint ventures was individually material to the Group as at March 31, 2022.

As at March 31, 2022, the aggregate carrying amounts of individually immaterial associates and joint ventures were RMB1,651,112,000 and RMB72,061,000, respectively (2021: RMB2,005,764,000 and RMB69,555,000).

During the year ended March 31, 2022, the aggregate amounts of the Group's share of loss from continuing operations of individually immaterial associates and joint ventures were RMB11,929,000 and RMB6,744,000, respectively (2021: RMB115,000 and RMB3,636,000).

11. Trade and other receivables, and prepayments

	As at March 31, 2022			As at March 31, 2021		
	Current RMB'000	Non-current RMB'000	Total RMB'000	Current RMB'000	Non-current RMB'000	Total RMB'000
Trade receivables (<i>Note</i>)						
– Related parties	1,170,109	–	1,170,109	838,612	–	838,612
– Third parties	652,250	–	652,250	847,430	–	847,430
Less: allowance for impairment of trade receivables	(147,621)	–	(147,621)	(148,245)	–	(148,245)
Trade receivables – net	<u>1,674,738</u>	<u>–</u>	<u>1,674,738</u>	<u>1,537,797</u>	<u>–</u>	<u>1,537,797</u>
Prepaid film deposits	10,000	38,500	48,500	40,000	10,000	50,000
Other prepayments	83,922	–	83,922	21,640	–	21,640
Other receivables arising from:						
– Receivables from related parties	63,383	–	63,383	62,537	–	62,537
– Loan receivables	126,769	700,000	826,769	–	833,915	833,915
– Receivables in relation to other film and TV investments	368,865	–	368,865	331,104	–	331,104
– Receivables in respect of reimbursement of distribution expenses	213,919	–	213,919	171,417	–	171,417
– Deductible VAT input	98,126	–	98,126	73,698	–	73,698
– Interest income receivables	80,328	–	80,328	54,678	–	54,678
– Refund receivable in relation to the restructuring of an associate	38,883	–	38,883	38,883	–	38,883
– Deposits receivables	17,436	–	17,436	11,986	–	11,986
– Receivables in respect of reimbursement of movie tickets refund	–	–	–	9,193	–	9,193
– Others	111,720	20,489	132,209	105,157	7,932	113,089
Less: allowance for impairment of prepayments and other receivables	(341,744)	(160,000)	(501,744)	(286,372)	(160,000)	(446,372)
Other receivables and prepayments – net	<u>871,607</u>	<u>598,989</u>	<u>1,470,596</u>	<u>633,921</u>	<u>691,847</u>	<u>1,325,768</u>
Total trade and other receivables, and prepayments	<u>2,546,345</u>	<u>598,989</u>	<u>3,145,334</u>	<u>2,171,718</u>	<u>691,847</u>	<u>2,863,565</u>

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 within 1 year. Before accepting any new debtor, the Group assesses the potential debtor's credit quality and defines credit limits by debtor. Credit limits granted to debtors are reviewed regularly.

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

	As at March 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
0 – 90 days	891,276	770,424
91 – 180 days	243,470	420,304
181 – 365 days	143,960	16,844
Over 365 days	543,653	478,470
	<u>1,822,359</u>	<u>1,686,042</u>

12. Trade and other payables, and accrued charges

	As at March 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables (<i>Note</i>)		
– Related parties	77,075	34,307
– Third parties	<u>311,837</u>	<u>285,188</u>
	388,912	319,495
Other payable and accrued charges:		
Amounts due to related parties	63,754	80,429
Payables in relation to distribution of films	250,654	347,155
Accrued marketing expense	107,133	106,724
Payroll and welfare payable	102,885	119,834
Other tax payable	58,783	42,160
Amounts received on behalf of cinema ticketing system providers	53,176	62,223
Professional fees payable	21,922	24,998
Deposit from customers	9,104	10,471
Consideration payable for acquisition of a subsidiary	3,000	6,000
Amounts received on behalf of cinemas	1,161	116,351
Others	<u>59,437</u>	<u>16,439</u>
	731,009	932,784
Total trade and other payables, and accrued charges	<u>1,119,921</u>	<u>1,252,279</u>

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:

As at March 31, 2022 and 2021, the aging analysis of the trade payables based on invoice date is as follows:

	As at March 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
0 – 90 days	278,179	226,879
91 – 180 days	71,373	54,239
181 – 365 days	27,716	24,214
Over 365 days	11,644	14,163
	<u>388,912</u>	<u>319,495</u>

13. Borrowings

	As at March 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Current	9,375	15,000
Non-Current	–	15,000
	<u>9,375</u>	<u>30,000</u>

As at March 31, 2022 and 2021, the Group's bank borrowings are denominated in RMB and are repayable as follows:

	As at March 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	9,375	15,000
Between 1 and 2 years	–	15,000
	<u>9,375</u>	<u>30,000</u>

The analysis of movements in borrowings is as follows:

	For the year ended March 31, 2022			For the year ended March 31, 2021		
	Current	Non-current	Total	Current	Non-current	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Opening balance	15,000	15,000	30,000	10,000	384,435	394,435
Repayments of bank borrowings	(15,000)	(5,625)	(20,625)	(10,000)	(353,550)	(363,550)
Reclassification from non-current to current borrowings	9,375	(9,375)	-	15,000	(15,000)	-
Effect of changes in exchange rate	-	-	-	-	(885)	(885)
Closing balance	<u>9,375</u>	<u>-</u>	<u>9,375</u>	<u>15,000</u>	<u>15,000</u>	<u>30,000</u>

Notes:

- (a) As at March 31, 2022, the RMB-denominated borrowings were secured by fixed assets with carrying amounts of approximately RMB9,247,000 (2021: RMB15,706,000).
- (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 of the Directors of the Company has resolved not to recommend the payment of a dividend for the year ended March 31, 2022 (2021: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Alibaba Pictures attained a solid fiscal year in the 2021/22 financial year amid the macroeconomic challenges due to the resurgence of COVID-19 pandemic. Despite tremendous uncertainties, the Group has firmly and continuously executed its dual-drive strategy featuring “content + technology”, and transformed adversity into opportunity. With focus on exploring content-driven multiple innovative business models and leveraging the connections with upstream and downstream players in the industry chain, the Group managed to fulfill various online and offline demands of consumers and expand the boundaries of the entertainment industry. All these factors have reinforced the prospect of the long-term growth and value of the Group.

The Group recorded revenue of approximately RMB3,652 million for the Reporting Period, as compared with revenue of approximately RMB2,859 million for the Previous Period. The significant growth in revenue for the Reporting Period is attributable to, on the one hand, from the Group’s ongoing investment in content, which improved the quality and quantity of films and drama series; and on the other hand, from China’s effective control of the pandemic which helped the film industry to steer out of the pandemic-induced doldrums gradually. In addition, the Group reported a year-on-year growth in intellectual property(ies) (“IP(s)”) merchandising and commercialization business as a result of its continued investments in the IP field and close platform content collaboration. The Group’s diversified business structure and enhanced operational efficiency have contributed to the significant turnaround from an operating loss of approximately RMB108 million for the Previous Period into a profit of approximately RMB279 million for the Reporting Period. The adjusted EBITA recorded a profit of approximately RMB143 million for the Reporting Period, representing an increase of 21% as compared with a profit of approximately RMB118 million for the Previous Period. During the Reporting Period, the net profit amounted to RMB154 million, recording a turnaround for the first time as compared with net loss of RMB117 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,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Operating profit/(loss)	279,216	(107,528)
Add:		
Share-based compensation	146,891	142,042
Amortization of intangible assets arising on business combinations	12,642	14,720
Allowance for and disposal of impairment of long-term assets	(17,423)	–
Profit or loss on equity investment and change in fair value, net	(277,976)	68,986
Adjusted EBITA	<u>143,350</u>	<u>118,220</u>

* Comparative figures have been adjusted to conform with the changes in presentation adopted for the current year.

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	
	2022	2021	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Content	1,947,857	1,424,854	317,493	344,407
Technology	1,264,058	1,126,963	430,949	461,670
IP merchandising and commercialization	440,255	307,080	197,103	161,238
Total	<u>3,652,170</u>	<u>2,858,897</u>	<u>945,545</u>	<u>967,315</u>

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

During the Reporting Period, the Group recorded revenue of approximately RMB3,652 million, representing an increase of approximately RMB793 million as compared with the corresponding period of last year. The Group's ongoing investment in and accurate insights into quality content have brought substantial year-on-year growth in revenue from film content and drama series content, leading the content segment to record revenue of approximately RMB1,948 million during the Reporting Period. The revenue of platform ticketing and digitalization business increased significantly as the film market gradually recovered due to the domestic measures to contain the COVID-19 pandemic. The technology segment recorded revenue of approximately RMB1,264 million during the Reporting Period, representing an increase of approximately RMB137 million from approximately RMB1,127 million for the corresponding period of last year. Benefitting from the continuous development and unparalleled collection of quality IPs and digital media and entertainment content of Alibaba, the Group has continually built customer-centric communication channels with consumers and commercialized such relationship, which has resulted in revenue of approximately RMB440 million recorded in the IP merchandising and commercialization segment during the Reporting Period, representing an increase of 43% as compared with approximately RMB307 million for the corresponding period of last year.

Content

Content business is a significant core business of the Group, mainly comprising film content, drama series content and other types of content.

During the Reporting Period, the Group upheld its value of ordinary people performing heroic deeds that promotes strong sentiment and positive vibes, while at the same time gripped major themes, such as the 100th anniversary of the founding of the Communist Party of China, the 70th anniversary of China's entry into the Korean war against American forces, as well as China's fight against the COVID-19 pandemic. As a result, the Group produced and distributed many exceptional films in celebration of Chinese spirits, Chinese values, as well as China's strengths and esthetics, including among others, "*The Battle at Lake Changjin* (長津湖)" and its sequel "*Water Gate Bridge* (水門橋)", which advocate heroic spirit and patriotism; and "*Embrace Again* (穿過寒冬擁抱你)", which is about the love stories during the COVID-19 lockdown. The total box office revenue in China recorded a year-on-year increase of approximately RMB6.7 billion to approximately RMB42.9 billion during the Reporting Period, recovering to 73% of the pre-pandemic level. Building on forward planning in the content industry and steady improvement in production and development capabilities, the Group participated in the production and distribution of 44 films during the Reporting Period, generating over approximately RMB26 billion at the box office, accounting for 71% of the box office of domestic films, which demonstrates the Group's insight into high-quality content. Eight of these films ranked among top 10 domestic films in terms of box office for the corresponding period, including "*The Battle at Lake Changjin* (長津湖)" and "*My country, My parents* (我和我的父輩)", which ranked top 1 and top 2 at the box office respectively during the National Day holiday as well as "*Water Gate Bridge* (水門橋)",

“*Too Cool To Kill* (這個殺手不太冷靜)” and “*Nice View* (奇跡•笨小孩)”, which were top 3 at the box office during the Chinese New Year holiday. Aiming at the advancement of the cultural industry and promoting positive values among the public, the Group secured multi-theme contents while growing its skills in content development and production. Some of the films which the Group participated in their production and distribution, such as “*One Week Friends* (一周的朋友)”, “*The Fallen Bridge* (斷橋)” and “*Lost* (消失的她)”, will soon be coming to the theaters.

In addition to its significant investments in cinema films, the Group has also been expanding its presence in the content industry. By operating studios, the Group established close ties with platforms, writers and partners, which enabled it to fully leverage the strengths of its resources, thereby continuing to create premium contents in the industrialization of content production. During the Reporting Period, the Group’s studios were recognized by the market for their capabilities in content creation and production. “*Be Reborn* (重生之門)”, a suspenseful blockbuster drama produced by Dunqi Studio (敦淇工作室), became the most played drama series networkwide broadcast on various platforms with significant popularity. The Group’s self-produced drama series, “*Because of Love* (今生有你)”, was released on CCTV-1, CCTV-8 and Youku platform, not only did it earn viewership ratings over 1% on TV, it also became the daily and weekly most played drama series. The Group will further invest in the content sector and engage its audience with quality contents by producing timeless works to which the audience can relate for their sentiments, compassion and acclaim. The Group expects to release a few self-produced drama series, including a suspense drama – “*Medical Examiner Dr. Qin: The Mind Reader* (法醫秦明之讀心者)”, a costume drama – “*Love Under the Floral Rain* (半城花雨伴君離)”, and – “*Robot in the Orange Garden* (你好呀，我的橘子戀人)” with romantic and science fiction themes.

During the Reporting Period, the content segment recorded revenue of approximately RMB1,948 million, representing an increase of 37% as compared with approximately RMB1,425 million for the corresponding period of last year; and its operating profit amounted to approximately RMB317 million, which declined by 8% as compared with that for the Previous Period, primarily due to the decrease in income from cinema films as a result of the pandemic.

Technology

Technology business is an important part of the Group’s strategy and an essential force for the construction of pan-entertainment infrastructure that promotes the digital upgrade of the entertainment sector. The business mainly comprises platform ticketing, digitalization business and others.

Platform ticketing business comprises Tao Piao Piao (B2C platform) and Yunzhi (B2B platform). Not only is Tao Piao Piao the Group’s key platform which provides ticketing services to cinemas, it is also a platform catering for consumers at large when they make their viewing decisions. In the 2021/22 financial year, Tao Piao Piao continued to maintain its dominant position as a ticketing platform, and launched the “Taomai VIP” (淘麥 VIP) membership system in collaboration with Damai, which connects film viewing and live performance scenes to provide users with more services and benefits.

Yunzhi is a digitalization product offering operation and management services to cinemas and a leading cloud-based product in the industry. Yunzhi utilizes technology to help cinemas improve operational and management efficiency while reducing operating costs. During the Reporting Period, Yunzhi continued to rank first among its peers in terms of the number of movie tickets sold.

The Group's digitalization platform business comprises its content promotion and distribution platform, which is established by integrating the promotion and distribution platform "Beacon (燈塔)" into total marketing solutions designer "Dark Horse (黑馬)" and content marketing agency "Taoxiu Media Group (淘秀光影)" to form a closed-loop marketing process. The digitalization platform utilizes "Beacon Research (燈塔研究院)" and "Beacon Professional (燈塔專業版)", being digital platforms from "Beacon", to create the underlying prediction logic and business model for promotion and distribution. With the total marketing solutions provided by "Taoxiu Media Group" and "Dark Horse", promotion and distribution activities are carried out by using relevant tools, and execution plans are continually optimized and enhanced based on the market feedback. During the Reporting Period, "Beacon" extended its application for performance, drama series, variety shows and online films, becoming a data platform for the entire entertainment industry covering cinema and online films, performances, drama series and variety shows. By cooperating with the Ministry of Culture and Tourism, the Group's live performance platform, which made live performance box office online for the first time, posed a significant impact on the digitization of the live performance industry. As one of the top 20 multi-channel network (MCN) institutions on TikTok, the Group's content marketing agency "Taoxiu Media Group" conducts business based on the content culmination of the films, drama series and variety shows, focuses on the market of short and mid-form videos by engaging and fostering key opinion leaders (KOLs) and provides total marketing solutions, word-of-mouth marketing and channel advertising activities. During the Reporting Period, "Taoxiu Media Group" provided exclusive services, such as live streaming planning and content marketing for multiple films, drama series and variety shows, including cinema film "*White Snake 2: The Tribulation of the Green Snake* (白蛇2：青蛇劫起)", online film "*Biubiubiu* (硬漢槍神)", and drama series "*A Little Mood for Love* (小敏家)" and carried out content marketing activities for several online drama series and brands.

Other technology products of the Group also include cloud production business, which is deeply integrated with the production of film and drama series content. As a digital product covering the entire production process and multiple production scenarios, cloud production is designed to advance further industrialization of the film industry. Featuring functions include crew member management, shooting management and financial management which assist film and television companies and crews in monitoring project quality and the shooting progress, improve the operational efficiency and reduce project costs. During the Reporting Period, cloud production provided support to more than 100 crews with its core technology, over 60% of which were external crew settings. Further, in order to build a talent ecosystem for the industry, cloud production established talent-training collaborations with multiple universities, including among others, Beijing Film Academy, the Central Academy of Drama, Communication University of China, Peking University, Tsinghua University, Shanghai Jiao Tong University and Communication University of Zhejiang.

The Group will provide operation services to Damai to integrate its systems and capabilities into live entertainment in the 2022/23 financial year. The operation service arrangement with Damai will not only improve the Group's internal operation efficiency benefitting its overall business, but also help to explore the potential of live entertainment activities.

During the Reporting Period, riding on the recovery of the film market from the pandemic, the technology segment recorded revenue of approximately RMB1,264 million, representing an increase of 12% as compared with revenue of approximately RMB1,127 million for the corresponding period of last year. Its operating profit amounted to approximately RMB431 million, representing a year-on-year decrease of 7%, primarily attributable to higher marketing expenses in light of such recovery.

IP merchandising and commercialization

IP merchandising and commercialization business is a core business of the Group which expands the boundaries of the entertainment industry. As a part of the Alibaba ecosystem, the Group is able to utilize many storytelling IPs on TV and films that build deep emotional connections with audience and promote product experience through visualisation with the IP merchandising. Besides, enjoying a huge portfolio of IP content, the Group can also use its wide range of interconnected scenes to create the greatest synergy and connection among the IPs.

In the 2021/22 financial year, the Group continued to expand the industrialization of its IP2B2C chain. Building on its existing licensing business, the Group has made significant progress by further integrating B2C functions through actively expanding channels and building brands. In terms of upstream IP acquisition, the Group remained committed to exploring quality IPs, with the number of newly licensed IPs increasing by 120%, while introducing IPs to the market, enabling merchants to benefit from those IPs and providing consumers with innovative products and enhancing the user experience. During the Reporting Period, the Group served as the liaison between many brands and their desired IPs. For example, the Group assisted “KAKAO FRIENDS”, its IP partner, in winning the Licensing International Asian Awards 2022; and also helped COLORKEY and LAMY in winning the “Licensee of the Year” award for fast-moving consumer goods (FMCG) and housewares/novelties, respectively. With its professional operations management skills, the Group also organized a number of marketing campaigns in collaboration with Tmall to promote IPs and merchants, such as “Minion Fans Shopping Spree (小黃人寵粉季)”, “KAKAO School Opening Shopping Spree (KAKAO開學季)” and “Pokémon Discovery Day (寶可夢發現日)”. During the Reporting Period, the number of IPs and licensed customers served by the Group continued to increase. With more and more brands being attracted to and participating in license cooperation, the number of the Group's customers increased.

The Group is not only a discoverer of IP content, but also a service platform focusing on commercialization of IPs. The Group has the capability to integrate licensing and marketing by leveraging the advantages of the Alibaba Economy Ecosystem, and to build a complete IP2B2C chain through Tmall. By providing ongoing support to top merchants, enabling market for new brands, exploring recent and emerging trends, the Group aims to utilize relevant platforms to facilitate the development of China's licensing industry. During the Reporting Period, the Group's contribution of products under the Tmall pop toys category reached a record high and the gross merchandise value ("GMV") grew by 57% year-on-year.

In order to further integrate B2C functions, pursue rapid growth for IP commercialization, as well as better understand and engage consumers, the Group founded a pop IP retail brand "KOILAND" in the 2021/22 financial year. The Group built an integrated IP store covering online and offline channels, capitalizing on its years of experience in IPs. Through KOILAND, the Group offered over 1,000 products that were well received by the market and provided an immersive shopping experience. During the Reporting Period, the Group's offline stores were located at various business districts, schools and communities. Despite the impact that the lingering COVID-19 pandemic had on its supply chains and store sales, the Group is confident that the IP-themed immersive space tailored for customers will further realize the value of its IPs once the pandemic ends. Meanwhile, the Group intends to diversify the risk by operating offline stores in different regions in China.

While the Group actively invested in relevant channels, the 2021/22 financial year also marked the birth of "KOITAKE", a pop toy brand incubated by the Group. Ever since the establishment of "KOITAKE", the Group has been dedicated to exploring the stories behind IP content and creating different types of images and products with a team of designers based on individual characters with an aim to incorporate contents into IPs and enrich the contents. In less than one year, the Group created IP-based figures such as "AZZO", "TOFU", "Jelly" and "Moon White", which have been successfully integrated into the Group's films, drama series and variety shows and therefore extended the life cycle of IPs and made those figures approachable.

During the Reporting Period, the Group enhanced the commercial value and lifecycle of popular IPs by working with talented designers and content platforms, such as "*The Awakening Age* (覺醒年代)", "*The Blue Whisper* (與君初相識／恰似故人歸)" and "*Street Dance of China* (這！就是街舞)".

In addition to deepening its IP portfolio and broadening its offerings, the Group shows respect for pop culture and consumer preferences by improving content sources and production capabilities. The Group enriched its content offerings during the Reporting Period, such as "*Country Love* (鄉村愛情)" which enhance its user experience.

To continually explore and realize the value of its IPs, the Group developed a new business on digital collectibles, making it more worthwhile to distribute and collect quality IPs with sophisticated paradigms and meaningful stories.

During the Reporting Period, the IP merchandising and commercialization business demonstrated rapid growth in revenue and operating profit, recording a 43% increase in revenue to approximately RMB440 million, while its operating profit grew by 22% year-on-year to approximately RMB197 million.

PROSPECTS

With a focus on creating quality content for the entertainment industry, the Group reinforced its dual-drive strategy featuring “content + technology” to make significant investments in the pan-entertainment industry. Facing a complex and evolving market environment, the Group will adhere to its principle of investing in quality content, innovation initiatives and customer value, and continue to facilitate business upgrade for three major areas in the long term: creating quality content, participating in building new infrastructure for the entertainment industry, and enriching the pan-entertainment ecosystem. The Group will continue to work closely with the Alibaba ecosystem, and leverage its unique advantages in content and technology to enable diversified offerings based on content, time and space, with an aim to benefit more market participants while advancing the cultural industry.

Going forward, the Group will continue to:

1. make significant investments in all categories of entertainment content, and improve its capability to produce various contents, including films and drama series, with a view to remaining a steady source of high-quality content for the market;
2. expand the service scope of its technology platform to promote Internet penetration in and digital upgrade of the industry and explore multiple business models of IP merchandising and commercialization; and
3. identify opportunities that yield sustainable and high-quality growth, while focusing on cost control and operation efficiency.

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

FINANCIAL REVIEW

Revenue and Profit for the Period

During the Reporting Period, the Group recorded revenue of approximately RMB3,652 million, representing a year-on-year increase of 28%. Operating profit turned around to a profit of approximately RMB279 million from a loss of approximately RMB108 million for the Previous Period. The adjusted EBITA recorded a profit of approximately RMB143 million, representing an increase of 21% as compared with that for the Previous Period. Comparing the two periods, net profit attributable to owners of the Company benefited from the recovery of the film market from the pandemic, the Group's diversified business structure and focused investment strategy, recording a major turnaround during the Reporting Period from a loss of approximately RMB96 million in the Previous Period to a profit of approximately RMB170 million.

For the Reporting Period, earnings per share (basic and diluted) for the Group turned around to a profit of RMB0.64 cents per share from a loss of RMB0.36 cents per share for the corresponding period of last year.

Selling, Marketing and Administrative Expenses

During the Reporting Period, selling and marketing expenses recorded a year-on-year increase of approximately RMB126 million to approximately RMB565 million from approximately RMB439 million for the Previous Period, primarily attributable to higher marketing expenses of business operations as the film market recovered gradually from the impact of the pandemic. Selling and marketing expenses as a percentage of revenue was in line with that in the Previous Period, reflecting the rigorous management of marketing expenses by the Group to navigate uncertainties in the market.

Administrative expenses in the Reporting Period recorded a year-on-year increase of approximately RMB55 million to approximately RMB925 million from approximately RMB870 million for the Previous Period, primarily attributable to investment in innovative business and the adverse effect of the lingering COVID-19 pandemic on offline business.

Finance Income

During the Reporting Period, the Group recorded net finance income of approximately RMB79 million, which included exchange gains of approximately RMB19 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.

Significant Investments

As at March 31, 2022, the Group held 15 investments in joint ventures and associates, all of which were accounted for using the equity method, and combined for a total book value of approximately RMB1,723 million. The Group also held 14 investments in unlisted companies and one investment in a listed company, all of which were accounted for as financial assets at fair value through profit or loss, and combined for a total book value of approximately RMB1,318 million. The three largest investments of the Group were Bona Film Group Limited (“Bona Film”), YH Entertainment Group and Shanghai Tingdong Film Co., Ltd.* (上海亭東影業有限公司). They are principally engaged in film production and distribution business, artist management and other pan-entertainment businesses, respectively.

The investment in Bona Film constituted a significant investment of the Group, with an investment amount of approximately RMB840 million, representing approximately 7.72% of the equity interest in Bona Film. As at March 31, 2022, the carrying amount of the Group’s long-term equity investment in Bona Film was approximately RMB1,026 million, representing 6.59% of the Group’s total assets. During the Reporting Period, the Group did not receive any dividend but recorded an unrealized gain of approximately RMB14 million from such investment. The management of the Company does not expect any significant adverse change to the investment in Bona Film for the next financial year, but the value of such investment is subject to the market performance in the future.

The Group adopted a conservative strategy in managing its investment portfolio (including its investment in Bona Film) during the Reporting Period. Save for those disclosed in this announcement, the Group had no other plans for material investments and capital assets as at March 31, 2022.

Financial Resources and Liquidity

As at March 31, 2022, the Group had cash and cash equivalents and bank deposits of approximately RMB3,560 million in multiple currencies. As at March 31, 2022, the Group had no long-term borrowings under a five-year RMB-denominated bank facility with credit limit at approximately RMB48 million, but it had short-term borrowings of RMB9.375 million, which bore interest at 6.405% per annum and were repayable within one year. As at March 31, 2022, the Group was in a net cash position and its gearing ratio (being net borrowings over total equity) was nil (March 31, 2021: 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, the Group requires foreign currencies for its investments and collaborations with studios outside Mainland China. 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 nor financial instruments for hedging purpose, 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, 2022, the Group had pledged borrowings of approximately RMB9 million, which was secured by fixed assets of approximately RMB9 million (March 31, 2021: the Group had pledged borrowings of approximately RMB30 million, which was secured by fixed assets of approximately RMB16 million).

Contingent Liabilities

As at March 31, 2022, the Group did not have any material contingent liabilities (March 31, 2021: nil).

Employees and Remuneration Policies

As at March 31, 2022, the Group, including its subsidiaries but excluding its associates, had 1,334 (March 31, 2021: 1,163) employees. The total employee benefit expenses of the Group were RMB649 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 granted under the Company's share option scheme, awarded shares granted under the Company's share award scheme, contributory provident fund, social security fund, medical benefits and training.

Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals in relation to subsidiaries, associates and joint ventures during the Reporting Period.

Important Events Occurred Since the End of March 31, 2022

There was no important event affecting the Group which occurred after March 31, 2022 and up to the date of this announcement.

DIVIDENDS

The Board has resolved not to recommend the payment of a dividend for the Reporting Period (2021: nil).

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 value to the shareholders of the Company (the “Shareholders”).

Throughout the Reporting Period, the Company had 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 in force during that year (the “Listing Rules”), except for the deviation from code provision A.2.1 (which has been re-numbered as C.2.1 since January 1, 2022) for the CG Code (the “Code Provision A.2.1”) for the reasons 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. 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 of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted its own code for securities transactions by the Directors and 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, on terms not less exacting than those in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules.

Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard as set out in the Model Code and the Company’s code for securities transactions during the Reporting Period.

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 consolidated financial statements of the Group for the Reporting Period. 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 Reporting Period 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 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 of the Company (which was adopted and amended by the Board on December 30, 2016 and March 29, 2019, respectively) purchased a total of 11,000,000 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 such share award scheme, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

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

Hong Kong, June 1, 2022

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. Liu Zheng, being the non-executive director; and Ms. Song Lixin, Mr. Tong Xiaomeng and Mr. Johnny Chen, being the independent non-executive directors.

* *For identification purposes only*