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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, 2021

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, 2021 together with the comparative figures for the previous year were as follows:

FINANCIAL HIGHLIGHTS

	For the year ended March 31,		
	2021	2020	Changes
	<i>RMB'000</i>	<i>RMB'000</i>	%
Revenue	2,858,897	2,874,694	(0.5)
Loss attributable to owners of the Company	(96,311)	(1,150,570)	(91.6)
Adjusted EBITA	118,143	(660,895) [#]	NM
Net cash inflow/(outflow) from operating activities	264,952	(776,148)	NM

NM- Not meaningful

[#] Adjusted

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended March 31,	
		2021	2020
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	2,858,897	2,874,694
Cost of sales and services	6	<u>(1,471,489)</u>	<u>(1,307,950)</u>
Gross profit		1,387,408	1,566,744
Selling and marketing expenses	6	(438,674)	(1,016,680)
Administrative expenses	6	(870,013)	(1,044,142)
Impairment losses on financial assets, net		(143,844)	(381,717)
Other income	4	47,345	60,694
Other gains/(losses), net	5	<u>(89,750)</u>	<u>(166,151)</u>
Operating loss		(107,528)	(981,252)
Finance income	7	<u>102,292</u>	184,516
Finance expenses	7	<u>(18,746)</u>	(52,643)
Finance income, net		83,546	131,873
Share of loss of investments accounted for using the equity method	10	(3,751)	(46,186)
Impairment of investments accounted for using the equity method	10	<u>(90,254)</u>	<u>(241,051)</u>
Loss before income tax		(117,987)	(1,136,616)
Income tax credit/(expense)	8	<u>802</u>	<u>(29,200)</u>
Loss for the year		<u>(117,185)</u>	<u>(1,165,816)</u>
Loss attributable to:			
Owners of the Company		(96,311)	(1,150,570)
Non-controlling interests		<u>(20,874)</u>	<u>(15,246)</u>
Loss per share for loss attributable to owners of the Company for the year <i>(expressed in RMB cents per share)</i>	9		
– Basic		(0.36)	(4.35)
– Diluted		<u>(0.36)</u>	<u>(4.35)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended	
	March 31,	
	2021	2020
	RMB'000	RMB'000
Loss for the year	(117,185)	(1,165,816)
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences attributable to owners of the Company	(162,860)	77,292
<i>Items that may not be reclassified to profit or loss</i>		
Currency translation differences attributable to non-controlling interests	(3,438)	(2,412)
Other comprehensive income for the year, net of tax	(166,298)	74,880
Total comprehensive loss for the year	(283,483)	(1,090,936)
Attributable to:		
– Owners of the Company	(259,171)	(1,073,278)
– Non-controlling interests	(24,312)	(17,658)
Total comprehensive loss for the year	(283,483)	(1,090,936)

CONSOLIDATED BALANCE SHEET

		As at March 31	
		2021	2020
<i>Note</i>		<i>RMB'000</i>	<i>RMB'000</i>
Assets			
Non-current assets			
	Property, plant and equipment	62,113	73,575
	Investment property	22,562	—
	Goodwill	3,551,116	3,551,116
	Intangible assets	126,461	141,090
	Right-of-use assets	244,868	282,261
	Deferred income tax assets	11,453	13,054
10	Investments accounted for using the equity method	2,075,319	2,205,079
	Film and TV rights and investments	221,413	226,666
	Financial assets at fair value through profit or loss	1,131,683	860,883
11	Trade and other receivables, and prepayments	691,847	802,593
		<u>8,138,835</u>	<u>8,156,317</u>
Current assets			
	Film and TV rights and investments	1,305,498	1,593,065
11	Trade and other receivables, and prepayments	2,171,718	1,661,367
	Current income tax recoverable	946	2,295
	Financial assets at fair value through profit or loss	7,000	250,750
	Cash and cash equivalents	3,897,802	4,004,528
	Bank deposits with the maturity over three months	—	159,496
	Restricted cash	19,083	20,061
		<u>7,402,047</u>	<u>7,691,562</u>
	Total assets	<u>15,540,882</u>	<u>15,847,879</u>

		As at March 31	
		2021	2020
<i>Note</i>		<i>RMB'000</i>	<i>RMB'000</i>
Liabilities			
Non-current liabilities			
Borrowings	13	15,000	384,435
Deferred income tax liabilities		62,657	70,216
Lease liabilities		247,513	272,176
Trade and other payables, and accrued charges	12	–	3,000
		325,170	729,827
Current liabilities			
Trade and other payables, and accrued charges	12	1,252,279	963,769
Contract liabilities		61,297	131,939
Current tax liabilities		243	–
Borrowings	13	15,000	10,000
Lease liabilities		48,955	35,874
		1,377,774	1,141,582
Total liabilities		1,702,944	1,871,409
Equity			
Equity attributable to owners of the Company			
Share capital		5,424,523	5,421,652
Reserves		8,361,798	8,476,724
		13,786,321	13,898,376
Non-controlling interests		51,617	78,094
Total equity		13,837,938	13,976,470
Total equity and liabilities		15,540,882	15,847,879

Notes:

1. GENERAL INFORMATION

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

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

The shares of the Company are listing on The Stock Exchange of Hong Kong Limited (the “HK Stock Exchange”). As at March 31, 2021, the Company is approximately 50.26% 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”). The Company’s shares were delisted from the Official List of the Main Board of the Singapore Exchange Securities Trading Limited with effect from December 4, 2020.

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, 2020:

- Definition of Material – Amendments to HKAS 1 and HKAS 8
- Definition of a Business – Amendments to HKFRS 3
- Interest Rate Benchmark Reform – Amendments to HKFRS 9, HKAS 39 and HKFRS 7
- Revised Conceptual Framework for Financial Reporting

The amendments listed above did not have any 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, 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Changes in accounting policies

The Group has early adopted the amendment to HKFRS 16 on COVID-19-Related Rent Concessions retrospectively from April 1, 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would if there were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease preceding the change;
- any reduction in lease payments affects only payments due before June 30, 2021; and
- there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all rent concessions that meet the above conditions in respect of all lease arrangements for which lease liabilities are recognized. Rent concessions totalling RMB5,283,000 have been accounted for as negative variable lease payments and recognized in the consolidated statement of profit or loss with a corresponding adjustment to the lease liabilities. There is no impact on the opening balance of owners' equity at April 1, 2020.

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, 2021, the Group's operating and reportable segments are as follows:

- Content: the investment and production of entertainment content such as film and drama series both domestically and internationally.
- Technology: 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.
- 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, 2021				
	Content	Technology (new infrastructures and operations)	IP merchandising and commercialization	Total
	RMB'000	RMB'000	RMB'000	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>				
	<u>9,170</u>	<u>57,052</u>	<u>12,415</u>	<u>78,637</u>
For the year ended March 31, 2020				
	Content	Technology (new infrastructures and operations)	IP merchandising and commercialization	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue				
– recognized at a point in time	465,476	1,112,898	220,434	1,798,808
– recognized over time	571,191	490,762	–	1,061,953
	<u>1,036,667</u>	<u>1,603,660</u>	<u>220,434</u>	<u>2,860,761</u>
Income from film and TV investments	–	13,933	–	13,933
	<u>–</u>	<u>13,933</u>	<u>–</u>	<u>13,933</u>
Total segment revenue	<u>1,036,667</u>	<u>1,617,593</u>	<u>220,434</u>	<u>2,874,694</u>
<i>Including: revenue recognized that was included in the contract liabilities balance at the beginning of the year</i>				
	<u>4,018</u>	<u>20,839</u>	<u>11,113</u>	<u>35,970</u>

Segment revenue and results

	For the year ended March 31, 2021			
		Technology (new infrastructures and operations)	IP merchandising and commercialization	Total
	Content RMB'000	RMB'000	RMB'000	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 gains/(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>

	For the year ended March 31, 2020			
		Technology (new infrastructures and operations)	IP merchandising and commercialization	Total
	Content RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	1,036,667	1,617,593	220,434	2,874,694
Segment results	107,643	357,619	119,244	584,506
Unallocated selling and marketing expenses				(34,442)
Administrative expenses				(1,044,142)
Impairment losses on financial assets, net				(381,717)
Other income				60,694
Other gains/(losses), net				(166,151)
Finance income				184,516
Finance expenses				(52,643)
Share of loss of investments accounted for using the equity method				(46,186)
Impairment of investments accounted for using the equity method				(241,051)
Loss before income tax				(1,136,616)

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

During the years ended March 31, 2021 and 2020, all of the segment revenue reported above was from external customers and there were no inter-segment sales.

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

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

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

As at March 31, 2021, 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 RMB3,965,338,000, RMB41,695,000 and RMB87,000, respectively.

For the year ended March 31, 2021, approximately 19% of the total revenues of the Group were derived from one single customer. Other than this single customer, none of other customers contributed 10% or more of the Group's revenue during the year ended March 31, 2021. None of any customers contributed 10% or more of the Group's revenue during the year ended March 31, 2020.

4. Other income

	For the year ended March 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income on loan receivable	33,803	31,779
Additional deduction of input VAT	6,140	7,856
Local government grants	2,407	18,781
Sundry income	4,995	2,278
	<u>47,345</u>	<u>60,694</u>

5. Other gains/(losses), net

	For the year ended March 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Change in fair value of unlisted investments	(69,494)	43,032
Change in fair value of film and TV investments, at fair value	(20,841)	(186,069)
Loss on disposal of associate	(11,167)	–
Losses from settlement of prepaid film deposits	(4,000)	–
Net (loss)/gain on disposal of property, plant and equipment	(202)	165
Change in fair value of investment in wealth management products	4,816	9,257
Compensation for the loss from film rights distribution	11,491	–
Change in fair value of investment in convertible bonds	–	(29,035)
Others	(353)	(3,501)
	<u>(89,750)</u>	<u>(166,151)</u>

6. Expense by nature

	For the year ended	
	March 31,	
	2021	2020
	RMB'000	RMB'000
Film and TV copyrights recognized as cost of sales and services	1,018,168	899,226
Employee benefit expenses	594,707	629,763
Marketing and promotion expenses	438,674	1,016,680
Cost of inventories, cinema ticketing and intellectual property licenses and other services recognized as cost of sales and services	381,174	298,189
Technology service fees	69,390	48,237
Payment processing and other service fees	66,090	89,683
Depreciation of property, plant and equipment	33,296	63,535
Depreciation of right-of-use assets	32,392	36,012
Travel and entertainment fees	15,877	35,660
Amortization of intangible assets	14,808	25,743
SMS platform service and customer services support fees	3,688	14,189
Rental expense for short-term and low-value leases	1,461	10,062
Auditor's remunerations		
– Audit services	4,000	4,000
Impairment loss on goodwill	–	34,931
Impairment loss on property, plant and equipment	–	53,574
Others	106,451	109,288
Total cost of sales and services, selling and marketing expenses and administrative expenses	2,780,176	3,368,772

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 RMB24,159,000 for the year ended March 31, 2021 (2020: RMB39,854,000).

7. Financial income and expense

	For the year ended	
	March 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Finance income		
– Interest income on bank deposits	82,822	80,233
– Exchange gain, net	19,470	104,283
	<u>102,292</u>	<u>184,516</u>
Finance expenses		
– Interest expenses on bank borrowings	(3,806)	(29,550)
– Interest expenses on lease liabilities	(14,940)	(23,093)
	<u>(18,746)</u>	<u>(52,643)</u>
Finance income, net	<u><u>83,546</u></u>	<u><u>131,873</u></u>

8. Income tax credit/(expense)

	For the year ended	
	March 31,	
	2021	2020
	RMB'000	RMB'000
Current income tax	(5,156)	(14,613)
Deferred income tax	<u>5,958</u>	<u>(14,587)</u>
	802	(29,200)

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

	For the year ended	
	March 31,	
	2021	2020
	RMB'000	RMB'000
Loss before income tax	(117,987)	(1,136,616)
Tax calculated at a tax rate of 25% (2020: 25%)	(29,497)	(284,154)
Tax effects of:		
– Associates' and joint ventures' results reported net of tax	938	71,809
– Effect of different tax rates of subsidiaries	1,925	21,482
– Income not subject to tax	(848)	(63,456)
– Additional deduction in relation to research and development costs	(3,297)	(2,759)
– Expenses not deductible for tax purposes	9,838	13,843
– Utilization of previously unrecognized tax losses	(113,435)	(198,551)
– Temporary differences and tax losses for which no deferred income tax asset was recognized	<u>133,574</u>	<u>470,986</u>
Tax (credit)/expense	(802)	29,200

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% (2020: 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% (2020: 15%) from January 1, 2019 to December 31, 2021 under the relevant PRC tax rules and regulations; and (2) one subsidiary of the Company which is incorporated in Horgos, Xinjiang Province, is exempted from income taxes from the first year of generating revenue before December 31, 2020 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 do not have any assessable profit for both periods.

9. Loss per share

	For the year ended March 31,	
	2021	2020
Basic and diluted loss per share (RMB cents)	(0.36)	(4.35)

(a) Basic

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

	For the year ended March 31,	
	2021	2020
Loss attributable to owners of the Company (RMB'000)	(96,311)	(1,150,570)
Weighted average number of ordinary shares in issue less shares held for share award scheme (thousands)	26,605,014	26,478,317

(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 had two categories of potential ordinary shares during the years ended March 31, 2021 and 2020, which are share options and unvested awarded shares.

The computation of diluted loss per share for the years ended March 31, 2021 and 2020 did not assume the issuance of any dilutive potential ordinary share since they were antidilutive, which would decrease the loss per share.

10. Investments accounted for using the equity method

	For the year ended March 31,	
	2021	2020
	RMB'000	RMB'000
At beginning of the year	2,205,079	2,401,989
Additions	–	68,890
Disposal of investment in an associate	(11,167)	–
Share of loss of investments (<i>Note a</i>)	(3,751)	(46,186)
Impairment (<i>Note b</i>)	(90,254)	(241,051)
Currency translation differences	(24,588)	21,437
At ending of the year	<u>2,075,319</u>	<u>2,205,079</u>

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 March 31, 2021 and 2020 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, 2021 and 2020.

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

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.

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 pre-tax discount rates, long-term growth rates, forecasted revenue, gross margin and working capital turnover rates, with reference to the business plans and prevailing market conditions.

Based on the assessment results, the Company recognized an impairment loss of RMB90,254,000 (2020: RMB241,051,000) for the investments accounted for using the equity method of the Group for year ended March 31, 2021.

- (c) The Directors of the Company are of the view that none of the Group's associates or joint ventures is individually material to the Group as at March 31, 2021.

As at March 31, 2021, the aggregate carrying amounts of individually immaterial associates and joint ventures were RMB2,005,764,000 and RMB69,555,000, respectively (2020: RMB2,131,888,000 and RMB73,191,000).

During the year ended March 31, 2021, the aggregate amounts of the Group's share of profit from continuing operations of individually immaterial associates and joint ventures were RMB115,000 and RMB3,636,000, respectively (2020: RMB40,783,000 and RMB5,403,000).

11. Trade and other receivables, and prepayments

	As at March 31, 2021			As at March 31, 2020		
	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	838,612	–	838,612	543,107	–	543,107
– Third parties	847,430	–	847,430	752,772	–	752,772
Less: allowance for impairment of trade receivables	(148,245)	–	(148,245)	(253,977)	–	(253,977)
Trade receivables – net	<u>1,537,797</u>	<u>–</u>	<u>1,537,797</u>	<u>1,041,902</u>	<u>–</u>	<u>1,041,902</u>
Prepaid film deposits	40,000	10,000	50,000	77,000	10,000	87,000
Prepayments to related parties	–	–	–	475	–	475
Other prepayments	21,640	–	21,640	21,496	–	21,496
Other receivables arising from:						
– Receivables from related parties	62,537	–	62,537	44,261	–	44,261
– Loan receivables	–	833,915	833,915	–	838,320	838,320
– Receivables in relation to other film and TV investments	331,104	–	331,104	269,946	–	269,946
– Receivables in respect of reimbursement of distribution expenses	171,417	–	171,417	48,216	–	48,216
– Deductible VAT input	73,698	–	73,698	86,312	–	86,312
– Interest income receivables	54,678	–	54,678	28,430	–	28,430
– Refund receivable in relation to the restructuring of an associate	38,883	–	38,883	38,883	–	38,883
– Deposits receivables	11,986	–	11,986	23,501	–	23,501
– Receivables in respect of reimbursement of movie tickets refund	9,193	–	9,193	30,946	–	30,946
– Others	105,157	7,932	113,089	101,718	4,273	105,991
Less: allowance for impairment of prepayments and other receivables	(286,372)	(160,000)	(446,372)	(151,719)	(50,000)	(201,719)
Other receivables and prepayments – net	<u>633,921</u>	<u>691,847</u>	<u>1,325,768</u>	<u>619,465</u>	<u>802,593</u>	<u>1,422,058</u>
Total trade and other receivables, and prepayments	<u>2,171,718</u>	<u>691,847</u>	<u>2,863,565</u>	<u>1,661,367</u>	<u>802,593</u>	<u>2,463,960</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 one year. Before accepting any new debtor, the Group assesses the potential debtor's credit quality and defines credit limits by debtor. Credit limits granted to debtors are reviewed regularly.

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

	As at March 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
0 – 90 days	770,424	386,748
91 – 180 days	420,304	291,037
181 – 365 days	16,844	284,557
Over 365 days	478,470	333,537
	<hr/>	<hr/>
	1,686,042	1,295,879
	<hr/> <hr/>	<hr/> <hr/>

12. Trade and other payables, and accrued charges

	As at March 31, 2021			As at March 31, 2020		
	Current RMB'000	Non-current RMB'000	Total RMB'000	Current RMB'000	Non-current RMB'000	Total RMB'000
Trade payables (<i>Note</i>)						
– Related parties	34,307	–	34,307	29,614	–	29,614
– Third parties	285,188	–	285,188	168,868	–	168,868
	<u>319,495</u>	<u>–</u>	<u>319,495</u>	<u>198,482</u>	<u>–</u>	<u>198,482</u>
Other payable and accrued charges:						
Amounts due to related parties	80,429	–	80,429	119,921	–	119,921
Payables in relation to distribution of films	347,155	–	347,155	317,572	–	317,572
Payroll and welfare payable	119,834	–	119,834	114,012	–	114,012
Amounts received on behalf of cinemas	116,351	–	116,351	11,119	–	11,119
Accrued marketing expense	106,724	–	106,724	89,526	–	89,526
Amounts received on behalf of cinema ticketing system providers	62,223	–	62,223	2,996	–	2,996
Other tax payable	42,160	–	42,160	34,785	–	34,785
Professional fees payable	24,998	–	24,998	26,139	–	26,139
Deposit from customers	10,471	–	10,471	14,176	–	14,176
Consideration payable for acquisition of a subsidiary	6,000	–	6,000	7,000	3,000	10,000
Others	16,439	–	16,439	28,041	–	28,041
	<u>932,784</u>	<u>–</u>	<u>932,784</u>	<u>765,287</u>	<u>3,000</u>	<u>768,287</u>
Total trade and other payables, and accrued charges	<u>1,252,279</u>	<u>–</u>	<u>1,252,279</u>	<u>963,769</u>	<u>3,000</u>	<u>966,769</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, 2021 and 2020, the aging analysis of the trade payables based on invoice date is as follows:

	As at March 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
0 – 90 days	226,879	103,407
91 – 180 days	54,239	60,835
181 – 365 days	24,214	17,258
Over 365 days	14,163	16,982
	319,495	198,482

13. Borrowings

	As at March 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current	15,000	10,000
Non-Current	15,000	384,435
	30,000	394,435

As at March 31, 2021 and 2020, the Group's bank borrowings are denominated in the following currencies:

	As at March 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
RMB-denominated (<i>Note a</i>)	30,000	40,000
USD-denominated	–	354,435
	30,000	394,435

As at March 31, 2021 and 2020, the Group's bank borrowings are repayable as follows:

	As at March 31,	
	2021	2020
	RMB'000	RMB'000
Within 1 year	15,000	10,000
Between 1 and 2 years	15,000	369,435
Between 2 and 5 years	–	15,000
	30,000	394,435

The analysis of movements in borrowings is as follows:

	For the year ended			For the year ended		
	March 31, 2021			March 31, 2020		
	Current	Non-current	Total	Current	Non-current	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Opening balance	10,000	384,435	394,435	5,000	712,310	717,310
Repayments of bank Borrowings	(10,000)	(353,550)	(363,550)	(5,000)	(354,435)	(359,435)
Reclassification from non-current to current borrowings	15,000	(15,000)	–	10,000	(10,000)	–
Effect of changes in exchange rate	–	(885)	(885)	–	36,560	36,560
Closing balance	15,000	15,000	30,000	10,000	384,435	394,435

Notes:

- (a) As at March 31, 2021, the RMB-denominated borrowings were secured by fix assets with carrying amounts of approximately RMB15,706,000 (2020: nil).
- (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, 2021 (2020: nil).

DIVIDENDS

The Board has resolved not to recommend the payment of a dividend for the year ended March 31, 2021 (2020: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the 2020/21 Financial Year, the lingering COVID-19 pandemic caused uncertainties and disruption to the business activities of all sectors of society, in particular, the entertainment industry, which recorded a reduction in the box office revenue of films in the PRC by nearly one-fourth as compared with the corresponding period of last year. Under the macro environment where the film and television industry as a whole was disrupted, the Group was able to successfully navigate through the challenges from the external environment by upholding its dual-drive strategy featuring “quality content and new infrastructure”, centering on content and building on technology platform and multiple business models to unify upstream and downstream operations, as well as online and offline channels throughout the industry chain, and expand the boundaries of the film and television industry by leveraging on its solid and diversified business structure in the pan-entertainment sector.

Amid a business environment with considerable uncertainties arising from the pandemic, the Group recorded revenue of RMB2,859 million for the year ended March 31, 2021 (the “Reporting Period”), as compared with revenue of RMB2,875 million for the year ended March 31, 2020 (the “Previous Period”). The revenue for the Reporting Period was substantially in line with that for the Previous Period, demonstrating the benefit of dual-drive strategy which made the business resilient to the complicated economic environment. Operating loss substantially narrowed from RMB981 million for the Previous Period to RMB108 million for the Reporting Period, representing a decrease of RMB873 million year-over-year. Benefiting from the diversified business structure and enhanced operational efficiency, the adjusted EBITA recorded a profit of RMB118 million during the Reporting Period, thereby turning profitable for the first time from a loss of RMB661 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, 2021 RMB'000	March 31, 2020 RMB'000
Operating loss	(107,528)	(981,252)
Add:		
Share-based compensation	142,042	116,962
Allowance for impairment of goodwill arising on business combinations	–	34,931
Amortization of intangible assets arising on business combinations	14,720	24,658
Allowance for impairment of long-term assets	–	53,574
Other losses, excluding change in fair value of film and TV investments, current portion, at fair value	68,909	90,232
Adjusted EBITA	118,143	(660,895) [#]

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

In order to better reflect the commercial value created by the dual-drive strategy featuring “quality content and new infrastructure”, the Group separately presented its revenues generated from content and technology. Comparative figures were presented in the same manner accordingly. Meanwhile, as the IP merchandising and related commercialization business has moved beyond the incubation stage, the Group separately presented the revenue of this business segment to better reflect the Group’s in-depth formation that covers upstream and downstream activities in the pan-entertainment industry. Comparative figures were reclassified to conform with this presentation.

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	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Content	1,424,854	1,036,667	344,407	107,643
Technology	1,126,963	1,617,593	461,670	357,619
IP merchandising and commercialization	307,080	220,434	161,238	119,244
Total	<u>2,858,897</u>	<u>2,874,694</u>	<u>967,315</u>	<u>584,506</u>

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

During the Reporting Period, the Group recorded total revenue of RMB2,859 million, broadly in line with that of the last year. By leveraging its broad and deep deployment across the entertainment content sector, the Group has extended its content investment and participation footprint from simply film business to investment in and creation of entertainment content in a more comprehensive and diversified way. On the one hand, the content segment recorded revenue of RMB1,425 million during the Reporting Period, representing an increase of 37% as compared with RMB1,037 million for the Previous Period. The constraints on offline entertainment consumption scenarios brought about by the pandemic, in particular the closure of movie market in the first half of 2020, led to a significant drop in the revenue from online ticketing business. As a result, the technology segment recorded revenue of RMB1,127 million during the Reporting Period, representing a decrease of 30% from RMB1,618 million for the Previous Period. On the other hand, benefiting from growing quality IP content and enhanced IP operating capability in both online and offline channels, the IP merchandising and commercialization segment recorded revenue of RMB307 million during the Reporting Period, representing an increase of 39% as compared with RMB220 million for the Previous Period.

In the first half of 2020, the global COVID-19 pandemic imposed persistent negative 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 demand for offline film content. Despite the adverse impact of the macro environment, the Group has continued to focus on the development of quality content, innovation and upgrade of technology products, further collaboration with upstream and downstream partners, as well as continuous efficiency improvement of its internal operating activities.

With social and economic activities in the PRC gradually recovering from the pandemic, there has been a resurgence in the demand for movie-going, which the Group was well positioned to meet by virtue of its accumulated investment in the content and technology fields: the Group produced and distributed 15 out of the top 20 domestic films by box office during the 2020/21 Financial Year, contributing box office of over RMB24.7 billion in aggregate, accounting for 68% of the total. In addition to its success in traditional cinema movies, the Group also collaborated closely with online video platforms to produce quality drama series with abundant reserve of IPs. The drama series delivered by the Group during the financial year covered themes including costume & fantasy, youth & inspiration, urban emotion and crime, with multiple drama series in the pipeline and scheduled to be released in 2021. The content segment is further enriched by such diversified reserve of drama series content and strong production capabilities. Looking ahead, we will further target diversified content categories, striving to become a quality content provider for the entertainment industry.

The Group is not only a discoverer and producer of quality content, but also a technology innovator which provides 2B/2C digitalization platform services for films, drama series and variety shows in the entertainment industry. “Beacon”, the Group’s digitalization platform for promotion and distribution, together with total marketing solutions designer “Dark Horse” and content marketing agency “Taoxiu Media Group”, developed a full process of promotion and distribution covering market assessment, total marketing solutions and new media advertising. The Group’s 2C platform, Tao Piao Piao, after product upgrading, has become not only a viewing decision-making platform for audiences but also a key access point to offline entertainment scenarios on Alipay APP, covering more life scenarios and providing more users with quality and convenient services. The Group is now able to make quality content accessible and distributable through technology platforms while expanding the boundaries of the pan-entertainment industry with multiple business models. Focusing on prime content IPs around the globe and incubation of IPs for films, drama series and variety shows, the Group’s IP merchandising and commercialization business relies on the e-commerce platforms within the Alibaba Economy to provide consumers and merchants with IP-to-business-to-consumer (“IP2B2C”) services that cover the entire industry chain by leveraging its extensive operating experience in the industry, with a view to empowering merchants, creating meaningful products for consumers and vitalizing IPs.

CONTENT

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

Being affected by the pandemic, the number of released films and revenue have both recorded a significant drop as compared with the Previous Period. However, adhering to our value of ordinary people performing heroic deeds that have major emotional appeal while promoting positive values, the Group has accumulated a content reserve which serves as an engine driving strong growth of the Group's core business in this difficult time. During the 2020/21 Financial Year, the Group participated in the production and distribution of 25 films, including 15 out of the top 20 domestic films by box office, contributing box office of over RMB24.7 billion which accounted for 68% of the total. The Group secured ten of the top 3 films for each of the four major seasons (namely the summer school holidays, National Day holiday, New Year holiday and Chinese New Year holiday), recording box office of RMB21.3 billion which accounted for 92% of the total box office for those seasons. *The Eight Hundred* (八佰), of which the Group was a main producer, came in second at the global box office in 2020; *My Hometown* (我和我的家鄉), *Leap* (奪冠) and *Coffee or Tea?* (一點就到家), all being highly acclaimed films produced and distributed by the Group, together contributed nearly 60% of the total box office for the National Day holiday, during which period the second highest box office in the history was recorded; during the Christmas/New Year holiday, the Group participated in most of the films with box office revenue of over RMB100 million, including *Shock Wave 2* (拆彈專家2), *A Little Red Flower* (送你一朵小紅花) and *Warm Hug* (溫暖的抱抱); and during the most prosperous Chinese New Year ever in terms of box office revenue, the Group secured four of the top 5 films, including *Detective Chinatown 3* (唐人街探案3), *Hi, Mom* (你好，李煥英) and *A Writer's Odyssey* (刺殺小說家), further securing the prime productions in key seasons.

As a major player in the film industry with years of accumulated experience, the Group is ever committed to becoming a producer of high-quality content. During the Reporting Period, the Group released six films under the Jin Cheng Co-production Project (錦橙合製計劃), namely *Shock Wave 2* (拆彈專家2), *A Writer's Odyssey* (刺殺小說家), *Love You Forever* (我在時間盡頭等你), *Coffee or Tea?* (一點就到家), *Bath Buddy* (沐浴之王) and *New Gods: Nezha Reborn* (新神榜：哪吒重生), which recorded box office of over RMB4 billion in aggregate, accounting for 11% of the total. Among these films, *Shock Wave 2* (拆彈專家2) recorded the highest box office and largest attendance ever for the Christmas holiday in the history of the domestic film market; *A Writer's Odyssey* (刺殺小說家) ranked top 3 in the Chinese New Year holiday with box office of over RMB1 billion; *Love You Forever* (我在時間盡頭等你) achieved the highest box office revenue for Chinese Valentine's Day ever; the inspirational films *Coffee or Tea?* (一點就到家) and *New Gods: Nezha Reborn* (新神榜：哪吒重生) leveraged on their critical acclaim to obtain a favorable release schedule in cinemas; and *Bath Buddy* (沐浴之王) became the best-selling movie after its release.

In addition to its significant investment in cinema films, the Group has been diversifying the categories of its entertainment content. After years of efforts, the professional team of the Group has developed strong capabilities from IP discovery to content production during the Reporting Period, delivering drama series covering multiple themes including costume & fantasy, youth & inspiration, urban emotions and crimes. Among the released dramas, *Professional Single* (我憑本事單身) recorded over 1.6 billion plays as a hot topic on Douyin and hit the Hot Search List of Weibo several times; the drama series *The Rest of Our Lives* (往後餘生) and *Be Yourself* (機智的上半場) which already completed shooting hit the Hot Search List of major popular platforms several times and are scheduled to be released soon.

During the Reporting Period, the content segment recorded revenue of RMB1,425 million, representing an increase of 37% as compared with RMB1,037 million for the Previous Period and gross profit of RMB344 million, representing an increase of 220% as compared with RMB108 million for the Previous Period. The significant increase in revenue and gross profit for the content segment was mainly attributable to the Group's investment in hot films during the Reporting Period, as well as our content deployment and strong content production capacity.

Technology

Technology business is an important part of the Group's strategy and 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 (2C platform) and Yunzhi (2B platform). Not only is Tao Piao Piao the Group's key platform through which it provides ticketing services to cinemas, it is also a viewing decision-making platform for consumers at large. Since the re-opening of cinemas after the outbreak, Tao Piao Piao had upgraded the functions on its platform with all-round exposure and promotion of films, performance, drama series and variety shows, in combination with publicity campaigns and user management based on users' favorite content. During the Reporting Period, the number of consumers who purchased after being subject to content promotion grew by 20% as compared with the Previous Period. Furthermore, Tao Piao Piao plays an important role in local consumer services. Under the offline entertainment scenarios facilitated by Alipay, Tao Piao Piao is able to reach more users and deliver quality and convenient services. Yunzhi, a digitalization product offering operation and management services to cinemas and a leading cloud-based product among its peers, is designed to utilize technologies to help cinemas improve operational and management efficiency while reducing operating cost. During the Reporting Period, Yunzhi continued to rank first among peers in terms of the number of ticket-issuing cinemas.

Our digitalization platform business comprises the Group's content promotion and distribution platform established by integrating the promotion and distribution platform "Beacon" with total marketing solutions designer "Dark Horse" and content marketing agency "Taoxiu Media Group" into a closed-loop marketing process. The digitalization platform utilizes "Beacon Research" and "Beacon Professional", both data tool products 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 using the relevant tools, and feedback data from the market throughout the process is recorded on the platform. "Beacon" offers a "test screening" product which forecasts the market ratings of a film to be released by reference to comments on it and its popularity, to assist producers in reasonably determining scheduling. During the Reporting Period, "Taoxiu Media Group", with products such as "Chong Ji Bo" (衝擊播) and by way of live roadshows and short-form videos, provided services to the top 3 films in major seasons including *Hi, Mom* (你好，李煥英), *Shock Wave 2* (拆彈專家2) and *My Homeland* (我和我的家鄉), as well as over 20 film, drama series and variety show projects, covering more than 500 million users and 97% of the total box office. "Taoxiu Media Group" provided services for more than 160 films during the Reporting Period, including those shown at cinemas, with box office of over RMB500 million. In addition to the business of film promotion and distribution, "Taoxiu Media Group" has also been expanding the channels for promotion and distribution and marketing of drama series. By launching creative marketing campaigns on popular platforms and continuing to discover content trends based on market feedback, it aims to expand the influence of content. During the Reporting Period, "Taoxiu Media Group" provided content promotion and distribution services for the popular drama series *Rattan* (司藤), with over 4 billion plays recorded for the related topics on Douyin. Using a model that integrates discovery of content trends, KOL-assisted marketing and short-form videos/live streaming, "Taoxiu Media Group" has developed a complete process of promotion and distribution. During the Reporting Period, it signed on and cultivated more than 300 KOLs with a coverage of 300 million fans, and emerged as one of the top 20 multi-channel network institutions on Douyin.

Other technology products of the Group 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 the further industrialization of film industry. Featuring functions including crew member management, shooting management and financial management, it assists film and television companies and crews in monitoring project quality and the shooting progress, thereby improving the operational efficiency of crews and reducing the cost of projects. During the Reporting Period, the number of crews that used the product significantly increased by 68% as compared with that for the Previous Period, including crews of the popular drama series *Word of Honor* (山河令) and the film *Striding into the Wind* (野馬分鬃).

During the Reporting Period, total box office revenue in the PRC dropped significantly by 23% as compared with that for the Previous Period, while the average price of movie tickets climbed by more than 10%. Due to the impact of the pandemic, the revenue from the Group's platform ticketing business decreased. However, benefiting from the improvement in operational efficiency as a result of technological innovation, the gross profit from the technology segment increased by 29% as compared with that for the Previous Period.

IP merchandising and commercialization

IP merchandising and commercialization business is a core business of the Group to expand the boundaries of the entertainment industry. IPs are an indicator of market preference for contents, while merchandising enables IPs to reach the market in a physical and tangible way and adds emotional value to the products. With the rising need of the younger generation for self-expression and spiritual enjoyment, as well as the growing demand for product marketing and value-added services, the compound annual growth rate of the pan-entertainment industry market reached 14.2%, with market size of RMB1.2 trillion estimated for 2021.

The Group has been consistently exploring the market potential of quality IPs. By building an IP matrix centered around the world's top IPs, the Group empowers merchants to deliver meaningful products, which in turn further enhances the influence of IPs. After years of accumulation, the Group's IP matrix now covers diversified IPs in respect of animations and games, art and culture, films, dramas series and variety shows, sports and education, literature and music, etc. IP images with emotional power and influence have significantly strengthened the Group's ability to empower merchants and platforms. In addition to IPs, the Group also helps merchants develop customized products with distinctive designs and meaningful stories through constant innovation in image design and resources integration. During the Reporting Period, the Group developed the cultural IP "Louvre" (盧浮宮) and movie IP "Minions" (小黃人). The IP "Louvre" and L'ORÉAL jointly launched a limited series of skincare products featuring artistic design, while Pokémon and Razer launched limited edition electronic products, demonstrating the great commercial value that IPs bring to products. During the Reporting Period, per customer transaction of the Group's licensed products increased by 80% as compared with that for the Previous Period, benefiting over 700 merchants.

The Group is not only a discoverer of IP contents, but also a service platform focusing on IPs. The Group has the capability to integrate licensing and marketing by taking advantage of the Alibaba Economy ecosystem, 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. This builds a complete IP2B2C chain, facilitating brand incubation through in-depth industrialization development, ultimately facilitating the development of the PRC licensing industry as a whole through the power of the platform. During the Reporting Period, the number of key account (KA) merchants under the Tmall pop toys category grew by 69%, while repurchase rate within 180 days and the average daily number of transactions of newly signed up merchants both increased as compared with those for the Previous Period. For its IP product series, the Group launched innovative marketing campaigns such as "Pokémon Fans Festival" (寶可夢寵粉節) and "Louvre Promotion Day" (盧浮宮超級品牌日) during the Reporting Period to attract customers and facilitate IP commercialization. For KA merchants, the Group organized events such as "Pop Mart Promotion Day" (泡泡瑪特超級品牌日) and "Line Friends Promotion Day" (Line Friends超級品牌日) during the Reporting Period, which improved brand awareness among users while boosting product marketing and new product promotion.

An IP is not only a content product, but also an extension of the life-cycle of films, drama series and variety shows. Given the short duration of popularity of prime films, drama series and variety shows, the Group closely collaborated with the e-commerce ecosystem of the Alibaba Economy to launch products as soon as possible after the emergence of market demand with the help of “Rhino Smart Manufacturing” (犀牛製造), and maximize the value of IPs through various licensing approaches in respect of products, marketing and regions. During the Reporting Period, the Group collaborated with platforms to launch 10 variety shows including *Street Dance of China S3* (這!就是街舞3) and *Shine! Super Brothers* (追光吧哥哥), benefiting more than 60 merchants through IP commercialization, crossover cooperation and offline marketing. The Group has been also working closely with hit drama IPs (for example, launching product series of garage kits and mystery boxes in collaboration with *Word of Honor* (山河令) and *Country Love* (鄉村愛情), both popular drama series on Youku) to strengthen cooperation across the industry, enhance production capacity, and achieve both quality and quantity improvement, thereby amplifying the value of IPs. Our first offering of “Mystery Box for Loyal Friends” (老鐵盲盒) derived from *Country Love* (鄉村愛情) was sold out within six hours of pre-sale and hit the Hot Search List of Weibo, while the garage kit products for *Word of Honor* (山河令) appealed greatly to the Generation Z thanks to the well-received drama series and related concerts.

In addition, Alifish’s IP2B2C crowdfunding platform “ZAO.” is actively exploring the Customer-to-Manufacturer (C2M) model, aiming at quick monetization of hot IPs and developing new channels for merchants to market new products. “ZAO.” covers the most popular IPs and has launched a wide range of peripheral products during the Reporting Period, including those in relation to films IPs, such as *A Writer’s Odyssey* (刺殺小說家) mystery boxes and *New Gods: Nezha Reborn* (哪吒重生) ball-jointed dolls, as well as those in relation to drama IPs such as the Han-style costumes of *Word of Honor* (山河令). During the Reporting Period, the number of crowdfunding IPs on “ZAO.” exceeded 135, representing a year-on-year increase of 148%, of which 52 were RMB1 million-level projects. The Group has established a full process covering IP trend discovery, merchant selection and cooperation, identification of target consumers by way of pre-sale/crowdfunding, and product manufacturing, thereby reducing the risk of developing new products based on IP licensing, and facilitating the development of the licensing industry in the PRC as a whole.

This year, the Company also launched a new brand called “KOITAKE” for the pop toys business, which is principally engaged in the sale of content IP pop toys. KOITAKE is different from conventional pop toy brands which face the difficulty of moving from downstream production lines to upstream content IPs. Instead, it is backed by Alibaba Pictures and built on the substantial strengths of Alibaba’s Digital Media & Entertainment Group, which include its wealth of experience in the production of rich content IPs (including films, TV dramas, variety shows and animations), promotion and distribution, as well as targeted user operation. KOITAKE has created a healthy cycle

mechanism that allows content IP and merchandise development, content promotion and distribution, and merchandise promotion and distribution to better complement one another. In addition, the Group is preparing to roll out KOITAKE offline experience stores, which will soon offer customers a brand-new consumer experience that combines “experience, exhibition and consumption”. KOITAKE will transform the traditional operation model of the first-generation conventional store-based pop toy brands, and lead the pop toy industry into a new phase with the development of content IP pop toys based on the IPs of films and TV dramas, variety shows and animations.

During the Reporting Period, the IP merchandising and commercialization business maintained rapid growth in revenue and operating profit, recording a 39% increase in revenue to RMB307 million, while its operating profit grew by 35% year-over-year to RMB161 million.

PROSPECTS

With a focus on creating quality content for the entertainment industry, the Group reinforced its dual-drive core strategy featuring “quality content and new infrastructure” to make significant investments in the pan-entertainment industry. Facing a complex market environment, the Group will adhere to its principle of investing in quality content, innovation initiatives and customer value, and facilitate business upgrade for the long-term construction of the three major areas: quality content, new infrastructure and pan-entertainment ecosystem. The Group will continue to work closely with Youku, Damai and local consumer services within the Alibaba Economy matrix, 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 players while supporting business growth.

Going forward, the Group will continue to:

1. further invest in all categories of entertainment content, and improve its capability to produce various content including films and drama series, with a view to becoming 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 upgrading of the industry; explore multi-business models of IP merchandising and commercialization; and
3. work closely with the Alibaba Economy to promote ecological cooperation across the industry and realize the potential of “content + technology”.

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

During the Reporting Period, the Group recorded revenue of RMB2,859 million, substantially the same as the previous year. The adjusted EBITA recorded a turnaround for the first time with a profit of RMB118 million from a loss of RMB661 million for the Previous Period. Comparing the two periods, despite the impact of the pandemic, benefiting from a diversified business structure, improved operational efficiency supported by the synergies within the Alibaba Economy and a reduction in investment losses, net loss attributable to owners of the Company reduced from RMB1,151 million for the Previous Period to RMB96 million for the Reporting Period, representing a decrease of RMB1,055 million year-over-year.

For the year ended March 31, 2021, loss per share (basic and diluted) for the Group narrowed from RMB4.35 cents per share for the Previous Period to RMB0.36 cents.

Selling, Marketing and Administrative Expenses

During the Reporting Period, selling and marketing expenses amounted to RMB439 million, representing a year-on-year decrease of 57% when compared with RMB1,017 million for the Previous Period. The proportion of selling and marketing expenses in revenue decreased from 35% to 15%, primarily attributable to lowered customer acquisition costs driven by higher overall operational efficiency and the incomplete recovery of the film market amid the pandemic.

Administrative expenses in the Reporting Period reduced to RMB870 million from RMB1,044 million for 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 RMB84 million, which included exchange gains of RMB19 million.

Material Investments

As at March 31, 2021, the Group held 13 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 RMB2,075 million. The Group held 14 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 RMB1,132 million. The three largest investments were Bona Film Group Limited (“Bona Film”), Shanghai Tingdong Film Co., Ltd.* (上海亭東影業有限公司) 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 RMB94 million from its investments in joint ventures and 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 business. As at March 31, 2021, the carrying amount of the Group’s long-term equity investment in Bona Film was approximately RMB1,011 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 next financial year.

Financial Resources and Liquidity

As at March 31, 2021, the Group had cash and cash equivalents and bank deposits of approximately RMB3,917 million in multiple currencies. The Group held financial assets at fair value through profit or loss of approximately RMB7 million, which mainly consisted of investments in wealth management products issued by major banks in the PRC with expected return ranging from 3.00% to 3.30% per annum and redeemable within one year. During the Reporting Period, the Group recognized an investment income of approximately RMB4.82 million from financial assets at fair value through profit or loss. The investments in wealth management products under financial assets at fair value through profit or loss were made in line with the Group’s treasury and investment policies, after taking into account, among others, the level of risk, return on investment, liquidity and the term to maturity. As at March 31, 2021, the Group had long-term borrowings of RMB15 million and short-term borrowings of RMB15 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 March 31, 2021, 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 March 31, 2021, the Group had pledged borrowings of RMB30 million, which was secured by fixed assets with carrying amounts of approximately RMB16 million (March 31, 2020: nil).

Contingent Liabilities

As at March 31, 2021, the Group did not have any material contingent liabilities (March 31, 2020: nil).

Employees and Remuneration Policies

As at March 31, 2021, the Group, including its subsidiaries but excluding its joint ventures and associates, had 1,163 (March 31, 2020: 1,134) employees. The total employee benefit expenses of the Group were RMB595 million in the Reporting Period. The remuneration policies of the Group are determined based on prevailing market levels and performance of the respective group companies and individual employees. These policies are reviewed on a regular basis. In addition to salary, the Group also offers to its employees other fringe benefits, including year-end bonus, discretionary bonus, share options to be granted under the Company's share option scheme, awarded shares to be granted under the Company's share award scheme (the "Share Award Scheme"), contributory provident fund, social security fund, medical benefits and training.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, accountability and independence. The Board believes that good corporate governance is essential to the success of the Company and the enhancement of value to the shareholders of the Company (the “Shareholders”).

Throughout the year ended March 31, 2021, 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 (the “Stock Exchange”) (the “Listing Rules”), except for certain deviations with considered reasons as explained below.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. 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.

Code provision C.1.2 of the CG Code stipulates that management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the Company’s performance, financial position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. The Company from time to time, based on business needs and conditions, provides to the Board up-to-date business information and convenes ad hoc meetings for considering material business or management issues, so as to enable the Directors and the Board as a whole to discharge their duties.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted 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.

All Directors have confirmed, following a specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code and the Company’s code for securities transactions.

AUDIT COMMITTEE REVIEW

The audit committee of the Company has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial statements for the year ended March 31, 2021. The figures in respect of the Group’s consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended March 31, 2021 as set out in this announcement have been agreed by the Company’s auditor, PricewaterhouseCoopers (“PwC”), to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC on this announcement.

PURCHASE, SALE OR REDEMPTION OF SHARES

Except that the trustee of the Share Award Scheme purchased a total of 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 shares during the year ended March 31, 2021.

* *For identification purpose only*

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

Hong Kong, June 9, 2021

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.