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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 UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2022**

The board (the “Board”) of directors (the “Directors”) of Alibaba Pictures Group Limited (the “Company”, together with its subsidiaries, the “Group”) is pleased to announce the unaudited interim results of the Group for the six months ended September 30, 2022 (the “Reporting Period”) together with the unaudited comparative figures for the six months ended September 30, 2021 (the “Corresponding Period”).

FINANCIAL HIGHLIGHTS

	For the six months ended		Change %
	September 30,		
	2022	2021	
	<i>RMB'000</i>	<i>RMB'000</i>	
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	
Revenue	1,828,686	1,358,160	35
Losses attributable to owners of the Company	(22,319)	(53,239)	(58)
Adjusted EBITA	149,372	(5,010)	N/A

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended	
		September 30,	
		2022	2021
		(Unaudited)	(Unaudited)
<i>Note</i>		RMB'000	RMB'000
	Revenue	1,828,686	1,358,160
	Cost of sales and services	<u>(1,270,417)</u>	<u>(735,633)</u>
	Gross profit	558,269	622,527
	Selling and marketing expenses	(131,172)	(200,048)
	Administrative expenses	(426,285)	(544,600)
	Impairment losses on financial assets, net	(11,440)	(89,256)
	Other income	30,045	29,077
	Other (losses)/gains, net	<u>(79,483)</u>	<u>105,865</u>
	Operating loss	(60,066)	(76,435)
	Finance income	53,464	42,532
	Finance expenses	(4,257)	(7,465)
	Finance income, net	<u>49,207</u>	<u>35,067</u>
	Share of losses of investments accounted for using the equity method	<u>(2,306)</u>	<u>(26,235)</u>
	Loss before income tax	(13,165)	(67,603)
	Income tax (expense)/credit	<u>(6,898)</u>	<u>2,264</u>
	Loss for the period	<u>(20,063)</u>	<u>(65,339)</u>
	Attributable to:		
	Owners of the Company	(22,319)	(53,239)
	Non-controlling interests	<u>2,256</u>	<u>(12,100)</u>
	Loss per share attributable to owners of the Company for the period (expressed in RMB cents per share)		
		8	
	– Basic	(0.08)	(0.20)
	– Diluted	<u>(0.08)</u>	<u>(0.20)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended	
		September 30,	
		2022	2021
		(Unaudited)	(Unaudited)
	<i>Note</i>	RMB'000	RMB'000
Loss for the period		(20,063)	(65,339)
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss</i>			
Share of other comprehensive (loss)/income of an associate	9	(6,802)	528
Currency translation differences attributable to owners of the Company		251,433	(34,057)
<i>Items that may not be reclassified to profit or loss</i>			
Currency translation differences attributable to non-controlling interests		<u>2,579</u>	<u>(619)</u>
Other comprehensive income/(loss) for the period, net of tax		<u>247,210</u>	<u>(34,148)</u>
Total comprehensive income/(loss) for the period		<u>227,147</u>	<u>(99,487)</u>
Attributable to:			
Owners of the Company		222,312	(86,768)
Non-controlling interests		<u>4,835</u>	<u>(12,719)</u>
Total comprehensive income/(loss) for the period		<u>227,147</u>	<u>(99,487)</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		As at September 30, 2022 (Unaudited) <i>RMB'000</i>	As at March 31, 2022 (Audited) <i>RMB'000</i>
	<i>Note</i>		
Assets			
Non-current assets			
Property, plant and equipment		22,420	23,352
Investment property		20,819	21,400
Goodwill		3,551,116	3,551,116
Intangible assets		106,748	113,676
Right-of-use assets		136,937	148,043
Deferred income tax assets		14,003	13,401
Investments accounted for using the equity method	9	1,619,997	1,723,173
Film and TV rights and investments		193,556	204,067
Financial assets at fair value through profit or loss		1,404,627	1,317,685
Trade and other receivables, and prepayments	10	609,856	598,989
		7,680,079	7,714,902
Current assets			
Inventory		35,176	17,831
Film and TV rights and investments		1,871,172	1,740,729
Trade and other receivables, and prepayments	10	2,636,237	2,546,345
Financial assets at fair value through profit or loss		7,500	–
Cash and cash equivalents		3,829,802	3,538,214
Restricted cash		20,785	18,677
		8,400,672	7,861,796
Total assets		16,080,751	15,576,698

	<i>Note</i>	As at September 30, 2022 (Unaudited) <i>RMB'000</i>	As at March 31, 2022 (Audited) <i>RMB'000</i>
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		5,452,976	5,452,976
Reserves		8,911,944	8,564,131
		<u>14,364,920</u>	<u>14,017,107</u>
Non-controlling interests		30,730	25,895
		<u>14,395,650</u>	<u>14,043,002</u>
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		55,931	49,302
Lease liabilities		134,397	137,231
		<u>190,328</u>	<u>186,533</u>
Current liabilities			
Borrowings		–	9,375
Trade and other payables, and accrued charges	11	1,303,706	1,119,921
Contract liabilities		153,532	186,345
Current tax liabilities		816	883
Lease liabilities		23,669	30,639
Financial liabilities at fair value through profit or loss		13,050	–
		<u>1,494,773</u>	<u>1,347,163</u>
Total liabilities		1,685,101	1,533,696
Total equity and liabilities		<u>16,080,751</u>	<u>15,576,698</u>

1 GENERAL INFORMATION

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

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

The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). As at September 30, 2022, the Company is approximately 50.0007% 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 (“Alibaba Holding”).

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

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended September 30, 2022 has been prepared in accordance with Hong Kong Accounting Standard 34, “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended March 31, 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The accounting policies applied are consistent with those of the annual financial statements for the year ended March 31, 2022, as described in those annual financial statements, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

The Group has applied new and amended standards effective for the current financial period. The adoption of these new and revised standards does not have any significant impact on the interim condensed consolidated financial information.

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

Certain new standards and amendments have been issued but not yet effective on April 1, 2022 and not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of liabilities as current or non-current	January 1, 2023
HKFRS 17 and Amendments to HKFRS 17	Insurance contracts	January 1, 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023
Amendments to HKAS 8	Definition of accounting estimates	January 1, 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is in the process of assessing potential impact of the above new standards and amendments that are relevant to the Group upon initial application. According to the preliminary assessment, management does not anticipate any significant impact on the Group's consolidated financial position and consolidated results of operations upon adopting the above new standards and amendments. Management plans to adopt these new standards and amendments when they become mandatory.

3 REVENUES 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 six months ended September 30, 2022, 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: backed by the Group's licensing and marketing capabilities, the Group could integrate resources within or outside the Alibaba Ecosystem to provide comprehensive distribution channels connecting with both corporate customers and individual consumers ("IP2B2C").

For the six months ended September 30, 2022
(Unaudited)

	Content <i>RMB'000</i>	Technology <i>RMB'000</i>	IP merchandising and commercialization <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue				
– recognized at a point in time	908,776	204,457	222,693	1,335,926
– recognized over time	131,339	361,099	–	492,438
	<u>1,040,115</u>	<u>565,556</u>	<u>222,693</u>	<u>1,828,364</u>
Income from film and TV investments	–	322	–	322
Total segment revenue	<u><u>1,040,115</u></u>	<u><u>565,878</u></u>	<u><u>222,693</u></u>	<u><u>1,828,686</u></u>

For the six months ended September 30, 2021
(Unaudited)

	Content <i>RMB'000</i>	Technology <i>RMB'000</i>	IP merchandising and commercialization <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue				
– recognized at a point in time	416,701	323,308	229,538	969,547
– recognized over time	144,915	242,668	–	387,583
	<u>561,616</u>	<u>565,976</u>	<u>229,538</u>	<u>1,357,130</u>
Income from film and TV investments	–	1,030	–	1,030
Total segment revenue	<u><u>561,616</u></u>	<u><u>567,006</u></u>	<u><u>229,538</u></u>	<u><u>1,358,160</u></u>

Segment revenue and results

For the six months ended September 30, 2022
(Unaudited)

	Content <i>RMB'000</i>	Technology <i>RMB'000</i>	IP merchandising and commercialization <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	1,040,115	565,878	222,693	1,828,686
Segment results	208,734	145,466	75,613	429,813
Unallocated selling and marketing expenses				(2,716)
Administrative expenses				(426,285)
Impairment losses on financial assets, net				(11,440)
Other income				30,045
Other losses, net				(79,483)
Finance income				53,464
Finance expenses				(4,257)
Share of losses of investments accounted for using the equity method				(2,306)
Loss before income tax				(13,165)

For the six months ended September 30, 2021 (Unaudited)

	Content <i>RMB'000</i>	Technology <i>RMB'000</i>	IP merchandising and commercialization <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	561,616	567,006	229,538	1,358,160
Segment results	95,636	228,887	106,254	430,777
Unallocated selling and marketing expenses				(8,298)
Administrative expenses				(544,600)
Impairment losses on financial assets, net				(89,256)
Other income				29,077
Other gains, net				105,865
Finance income				42,532
Finance expenses				(7,465)
Share of losses of investments accounted for using the equity method				(26,235)
Loss before income tax				(67,603)

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

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

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

4 OTHER INCOME

	For the six months ended	
	September 30,	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Investment income on loan receivable	14,017	14,025
Additional deduction of input VAT	12,358	4,771
Sundry income	2,729	2,488
Local government grants	941	7,793
	<u>30,045</u>	<u>29,077</u>
Total	<u>30,045</u>	<u>29,077</u>

5 OTHER (LOSSES)/GAINS, NET

	For the six months ended	
	September 30,	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Change in fair value of Film and TV investments, at fair value	39,257	52,887
Change in fair value of listed investment	11,903	–
Net gain on disposal of film and TV rights	4,800	–
Net gain/(loss) on disposal of property, plant and equipment	39	(7,338)
Change in fair value of investments in wealth management products	28	61
Loss on dilution of investments accounted for using the equity method (<i>Note</i>)	(130,933)	–
Change in fair value of unlisted investments	(3,818)	39,336
Gain on disposal of investments accounted for using the equity method	–	16,843
Others	(759)	4,076
	<u>(79,483)</u>	<u>105,865</u>
Total	<u>(79,483)</u>	<u>105,865</u>

Note:

The amount represented the dilution loss on the Group's investment in Bona Film Group Co., Limited ("Bona Film") recognized upon the listing of this investment on August 18, 2022. The Group's interests in Bona Film was diluted from 7.72% to 6.18% after Bona Film listed on Shenzhen Stock Exchange. The difference between (1) the decrease in the carrying value of the Group's interest in Bona Film 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 loss of RMB130,933,000 and was recognized in the condensed consolidated statement of profit or loss for the six months ended September 30, 2022.

6 FINANCE INCOME, NET

	For the six months ended	
	September 30,	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Finance income		
– Interest income on bank deposits	47,077	37,429
– Exchange gains, net	6,387	5,103
	<u>53,464</u>	<u>42,532</u>
Finance expenses		
– Interest expenses on lease liabilities	(3,788)	(6,786)
– Interest expenses on bank borrowings	(469)	(679)
	<u>(4,257)</u>	<u>(7,465)</u>
Finance income, net	<u>49,207</u>	<u>35,067</u>

7 INCOME TAX EXPENSE/(CREDIT)

	For the six months ended	
	September 30,	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current income tax	871	242
Deferred income tax	6,027	(2,506)
	<u>6,898</u>	<u>(2,264)</u>

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

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

Provision for the PRC enterprise income tax is calculated based on the statutory tax rate of 25% (the six months ended September 30, 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 rate of 15% (the six months ended September 30, 2021: 15%) under the relevant PRC tax rules and regulations; (2) one subsidiary of the Company, 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; and (3) certain subsidiaries of the Company are small low-profit enterprises, followed by a reduced tax rate of 20% (the six months ended September 30, 2021: 20%).

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

8 LOSS PER SHARE

	For the six months ended	
	September 30,	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB cents	RMB cents
Basic/diluted loss per share	0.08	0.20

(a) Basic

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

	For the six months ended	
	September 30,	
	2022	2021
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company (RMB'000)	22,319	53,239
Weighted average number of ordinary shares in issue less shares held for share award scheme (thousands)	26,757,790	26,605,261

(b) Diluted

Diluted earnings or loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares for the six months ended September 30, 2022 and 2021, which are share options and unvested awarded shares.

The computation of diluted loss per share for the six months ended September 30, 2022 and 2021 did not assume the issuance of any dilutive potential ordinary share since they are antidilutive, which would decrease the loss per share.

9 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	For the six months ended	
	September 30,	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Beginning of the period	1,723,173	2,075,319
Additions	1,375	5,250
Disposal of investment in an associate	–	(121,900)
Share of losses of investments (<i>Note</i>)	(2,306)	(26,235)
Loss on dilution of interest in an associate	(130,933)	–
Share of other comprehensive income of an associate	(6,802)	528
Share of changes of other reserves of an associate	1,472	–
Currency translation differences	34,018	(6,012)
	1,619,997	1,926,950

Note:

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 those 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 certain of the associates and joint ventures of the Group. The financial information of certain of the Group's associates and joint ventures as at September 30, 2022 and 2021 are not available. As a result, the Group records its share of profit or loss of those investments accounted for using the equity method on one quarter in arrear basis for the six months ended September 30, 2022 and 2021.

Bona Film was listed on Shenzhen Stock Exchange on August 18, 2022 and could provide its financial statements as at September 30, 2022 before the results announcement of the Group. The Group ceases to take advantage of the non-coterminous period end provision for this investment upon its listing and included the attributable share of profit or loss of this investment based on its financial statements drawn up to a coterminous period end with the Group from this interim condensed consolidated financial statements for the six months ended 30 September 2022.

Hence, the Group records its shares of profit or loss of this investment for the nine months ended September 30, 2022 in this interim condensed consolidated financial statements of the Group for the six months ended September 30, 2022 including the loss of RMB9,315,000 in the interim condensed consolidated statement of profit or loss and a loss of RMB3,807,000 in the interim condensed consolidated statement of comprehensive income, respectively, for the period ended September 30, 2022.

10 TRADE AND OTHER RECEIVABLES, AND PREPAYMENTS

	As at September 30, 2022			As at March 31, 2022		
	Current	Non-current	Total	Current	Non-current	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables (<i>Note</i>)						
– Related parties	1,053,847	–	1,053,847	1,170,109	–	1,170,109
– Third parties	933,408	–	933,408	652,250	–	652,250
Less: allowance for impairment of trade receivables	(146,317)	–	(146,317)	(147,621)	–	(147,621)
Trade receivables – net	<u>1,840,938</u>	<u>–</u>	<u>1,840,938</u>	<u>1,674,738</u>	<u>–</u>	<u>1,674,738</u>
Prepaid film deposits	–	48,500	48,500	10,000	38,500	48,500
Other prepayments	70,222	–	70,222	83,922	–	83,922
Other receivables arising from:						
– Receivables from related parties	75,253	–	75,253	63,383	–	63,383
– Loan receivables	148,125	700,000	848,125	126,769	700,000	826,769
– Receivables in relation to other film and TV investments	383,622	–	383,622	368,865	–	368,865
– Deductible VAT input	122,872	–	122,872	98,126	–	98,126
– Receivables in respect of reimbursement of distribution expenses	80,634	–	80,634	213,919	–	213,919
– Refund receivable in relation to the restructuring of an associate	38,883	–	38,883	38,883	–	38,883
– Interest income receivables	19,185	–	19,185	80,328	–	80,328
– Deposits receivables	13,800	–	13,800	17,436	–	17,436
– Others	107,948	21,356	129,304	111,720	20,489	132,209
Less: allowance for impairment of other receivables and prepayments	(265,245)	(160,000)	(425,245)	(341,744)	(160,000)	(501,744)
Other receivables and prepayments – net	<u>795,299</u>	<u>609,856</u>	<u>1,405,155</u>	<u>871,607</u>	<u>598,989</u>	<u>1,470,596</u>
Total trade and other receivables, and prepayments	<u><u>2,636,237</u></u>	<u><u>609,856</u></u>	<u><u>3,246,093</u></u>	<u><u>2,546,345</u></u>	<u><u>598,989</u></u>	<u><u>3,145,334</u></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 September 30, 2022 (Unaudited) RMB'000	As at March 31, 2022 (Audited) RMB'000
0 – 90 days	924,715	891,276
91 – 180 days	58,189	243,470
181 – 365 days	654,933	143,960
Over 365 days	349,418	543,653
	1,987,255	1,822,359

11 TRADE AND OTHER PAYABLES, AND ACCRUED CHARGES

	As at September 30, 2022 (Unaudited) RMB'000	As at March 31, 2022 (Audited) RMB'000
Trade payables (<i>Note</i>)		
– Related parties	107,403	77,075
– Third parties	343,864	311,837
	<u>451,267</u>	<u>388,912</u>
Other payables and accrued charges		
Amounts due to related parties	77,098	63,754
Payables in relation to distribution of films	397,118	250,654
Payroll and welfare payable	100,289	102,885
Accrued marketing expense	71,722	107,133
Other tax payable	72,157	58,783
Amounts received on behalf of cinema ticketing system providers	46,276	53,176
Professional fees payable	12,609	21,922
Deposits from customers	8,881	9,104
Amounts received on behalf of cinemas	1,238	1,161
Consideration payable for acquisition of a subsidiary	–	3,000
Others	65,051	59,437
	<u>852,439</u>	<u>731,009</u>
Total trade and other payables, and accrued charges	<u>1,303,706</u>	<u>1,119,921</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:

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

	As at September 30, 2022 (Unaudited) RMB'000	As at March 31, 2022 (Audited) RMB'000
0 – 90 days	256,686	278,179
91 – 180 days	79,158	71,373
181 – 365 days	98,078	27,716
Over 365 days	17,345	11,644
	<u>451,267</u>	<u>388,912</u>

12 DIVIDENDS

The board of directors of the Company has resolved not to declare an interim dividend for the six months ended September 30, 2022 (the six months ended September 30, 2021: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Company is committed to its dual engine strategy, notwithstanding changes in market conditions caused by the COVID-19 pandemic during the Reporting Period. By offering curated content and being empowered by innovative technology, the Group continues to explore business models and increased its investments in technology which creates long-term value for the Group, enabling it to transform into a dual engine technology-and-content strategy, to proactively optimize the business management strategy and to achieve solid business growth.

The Group's revenue was approximately RMB1,829 million for the Reporting Period, compared to approximately RMB1,358 million for the Corresponding Period, an increase of 35% year-over-year. The significant revenue growth was mainly attributable to the improvement in the quality and quantity of films and drama series as a result of the Group's continuous investment in content. Due to the diversified business structure and improved operating efficiency, the adjusted EBITA turned positive and increased by approximately RMB154 million from a loss of approximately RMB5 million for the Corresponding Period to approximately RMB149 million.

The following table sets forth certain key indicators of the Group's financial results for the periods indicated:

	For the six months ended September 30, 2022 RMB'000 (Unaudited)	For the six months ended September 30, 2021 RMB'000 (Unaudited)
Operating loss	(60,066)	(76,435)
Add:		
Share-based compensation	80,256	77,513
Amortization of intangible assets arising on business combinations	6,334	6,321
Allowance for impairment of long-term assets	–	41,756
Profit or loss on equity investment and change in fair value, net	122,848	(54,165)
Adjusted EBITA	149,372	(5,010)

The following table sets forth the Group's segment revenue and results for the periods indicated:

Segments	For the six months ended September 30,			
	Segment revenue		Segment results	
	2022	2021	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Content	1,040,115	561,616	208,734	95,636
Technology	565,878	567,006	145,466	228,887
IP merchandising and commercialization	222,693	229,538	75,613	106,254
Total	1,828,686	1,358,160	429,813	430,777

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

The Group's revenue was approximately RMB1,829 million for the Reporting Period, an increase of approximately RMB471 million compared to the Corresponding Period. The Group selected, and made continuous investment in high-quality content, resulting in a substantial year-over-year increase in revenue from film content and drama series content. As a result, revenue from the content segment was approximately RMB1,040 million for the Reporting Period, an increase of approximately RMB478 million compared to approximately RMB562 million for the Corresponding Period. Due to impacts of COVID-19 pandemic on the film industry and consumer market, the Group's revenue from the technology segment and the IP merchandising and commercialization segment was approximately RMB566 million and RMB223 million, respectively, and remained stable as the Group created synergies with live events and offline services for movies and launched IP-derived merchandises.

Content

Content segment is one of the Group's core businesses, mainly comprising content from films, drama series and others. Due to the COVID-19 pandemic, the total box office revenue in Mainland China decreased by approximately RMB5 billion (or 30%) year-over-year to approximately RMB11.7 billion for the Reporting Period. Benefited from the Group's forward-looking layout in the content industry and steady improvement in its production capabilities, the Group produced and distributed a total of 18 films covering various genres such as comedy, romance, drama series and animation, generating over RMB7 billion in the box office, which accounted for 60% of the box office of all domestic films released during the Reporting Period and achieved growth under the tough business environment. With the Group's profound insights into high-quality content, six out of which ranked among top ten domestic films released during the same period in terms of box office, including the top three films: "Moon Man (獨行月球)", "Lighting Up The Stars (人生大事)" and "Detective vs Sleuths (神探大戰)". In addition, "One Week Friends (一周的朋友)" (a production of the Group's Canno studio (可能製造廠牌)) ranked first in terms of the first-day box-office in 2022 and a Chinese-made animated film "New Gods: Yang Jian (新神榜：楊戩)" (a joint production of the Group's XiaoYuZhou WeiLai studio (小宇宙廠牌) and Light Chaser Animation) ranked first in terms of China's box office revenue from animated films during the summer movie season in this year. Films invested by the Group won numerous awards in the industry, such as the 35th China Golden Rooster Awards (i.e. one of the prestigious and coveted awards in the industry) for the Best Actor, Best Director, Best Feature Film and Best Art Direction. The Group has built an abundant reserve of original intellectual properties ("IP") and would, subject to the market conditions, continue to release a number of high-quality films which promote the value of selflessness involving ordinary persons performing heroic deeds that grows strong sentiment and positive vibes, such as "Ride On (龍馬精神)", "Post Truth (保你平安)", "Exchange Lives (交換人生)" and "The Wandering Earth 2 (流浪地球2)".

In addition to its significant investment in films, the Group has also been expanding its presence in other field of the content industry. Through operating its studios, it has established close relationships with platforms, screenwriters and business partners. By leveraging their respective resources, the Group is empowered to create high-quality content in the industrialization of content production. During the Reporting Period, works produced by the Group's studios were well received by the Chinese market. The works include sports-themed drama series "Falling into You (燦道)" (a production of Dunqi Studio (敦淇工作室)) which ranked first in terms of, weekly popularity on TikTok and, daily popularity for 20 consecutive days on Youku; urban-themed drama series "Lighter & Princess (點燃我，溫暖你)" (adapted from a popular novel "Lighter & Skirt (打火機與公主裙)") which obtained a good rating of 7.5 on Douban and ranked first in terms of popularity on various platforms; suspenseful blockbuster drama series "Be Reborn (重生之門)" which accounted for almost 11% of the total viewership rates measured by Beacon (燈塔正片播放市佔率) and ranked first in terms of weekly popularity for four consecutive weeks on TikTok and is a finalist of the 31st China TV Golden Eagle Award for the best television show; and self-produced drama series "Rising Lady (她們的名字)" (a production of Shisui Studio (拾穗工作室), released on Zhejiang STV and Youku) which reached the viewership up to 1.8%, topped the total viewership rates measured by Beacon (燈塔正片播放市佔率) for two consecutive weeks and ranked first in the most searched drama series on TikTok for five times. The Group will continue to invest in high-quality content that enhances consumer engagement and create timeless, touching and popular works. The Group plans to release drama series, such as medical drama series "Surgery Live Room (手術直播間)", motivational drama series "Pegasus (飛馳人生)" and countryside-themed drama series "Fifth Place Fortune (第五名發家)".

The Group's revenue from the content segment was approximately RMB1,040 million for the Reporting Period, an increase of 85% compared to approximately RMB562 million for the Corresponding Period. Its segment result from the content segment was approximately RMB209 million, an increase of 118% compared to approximately RMB96 million for the Corresponding Period.

Technology

The technology business is an important part of the Group's strategy and an essential force for the construction of its pan-entertainment infrastructure that increase the use of technology in the entertainment industry. The segment mainly comprises platform ticketing, digitalization and other businesses.

The Group's platform ticketing business covers Tao Piao Piao (2C platform), Yunzhi (2B platform) and Damai (a platform which the Group is entrusted to manage and operate). Tao Piao Piao is the Group's key platform, which provides ticketing services to cinemas and caters for consumers at large when they make their viewing decisions. During the Reporting Period, Tao Piao Piao and Damai jointly improved their "Taomai VIP" (淘麥VIP) membership program, where VIP members can have ticketing privileges and better consumer experience, such as ticket price discounts, VIP fast pass and access to star-studded events. Yunzhi, a leading cloud-based digital intelligence product that offers operation and management services to cinemas, is designed to use technology to help cinemas improve operational and management efficiency and reduce their operating cost. During the Reporting Period, Yunzhi ranked first among industry peers in terms of the number of ticket-issuing cinemas. To integrate live entertainment business into the Group's business, the Group provided Damai with entrusted operation management services during the Reporting Period to enhance operating efficiency while jointly exploring the business potential of live entertainment.

The Group's digitalization platform business comprises an integrated content promotion and distribution platform, consisting of "Beacon (燈塔)" (a promotion and distribution platform), "Dark Horse (黑馬)" (a comprehensive marketing solutions designer) and "Taoxiu Media Group (淘秀光影)" (a content marketing agency), for the purpose of providing a comprehensive coverage of the marketing services. The digitalization platform creates the underlying prediction logic and business models for promotion and distribution through two digital platforms of Beacon (i.e. "Beacon Research (燈塔研究院)" and "Beacon Professional (燈塔專業版)"), and offers comprehensive marketing solutions through Taoxiu Media Group and Dark Horse. Those solutions will be constantly adjusted depending on the market feedback. During the Reporting Period, the digitalization platform provided exclusive live streaming marketing services and content marketing services for a number of films, drama series and variety shows, such as films "Moon Man (獨行月球)" and "Table for Six (還是覺得你最好)", drama series "Lighter & Princess (點燃我，溫暖你)" and also content marketing services for various online drama series and brands.

Other technology products of the Group include the Cloud Production business, which is closely integrated with the production of film content and drama series content. Cloud Production is a digital product covering the entire production process and multiple production scenarios and is designed to increase the use of technology in the pan-entertainment industry. Featuring functions include production crew management, shooting management and financial management, which assist production companies and crew in monitoring filming quality and filming schedule, improving production efficiency and reducing production cost. During the Reporting Period, Cloud Production used its core technology to support more than 200 projects in the pan-entertainment industry, covering various genres such as drama series, films, animation, variety shows and documentaries. In addition, Cloud Production has launched a new live event management system, which enables the crew to control the filming quality on-site and creates synergies with live events. The function has been used by a number of production crew.

The Group will continue to explore opportunities in smart digital technology business, to use technology in the film production process and to use innovative technology to create film content and drama series content.

The Group's revenue from the technology segment was approximately RMB566 million for the Reporting Period and remained stable compared to the Corresponding Period. Its segment result from the technology segment was approximately RMB145 million, a decline of 36% from the Corresponding Period, primarily due to impacts of the COVID-19 pandemic on the Chinese film market.

IP merchandising and commercialization

IP merchandising and commercialization business is one of the Group's core businesses for expanding its presence in the entertainment industry. As a part of the Alibaba Ecosystem, the Group has an abundant reserve of heartwarming and storytelling IPs derived from films, drama series and variety shows and could use those IPs to express and convey consumers' emotions and needs. IP merchandises provide consumers with a richer, better and more tangible product experience. This segment creates synergies with the content segment and allows consumers to build a deeper connection with IP characters and their stories across online and offline channels.

To better connect with its consumers, the Group created the series of distinctive pop toys, featuring drama scenes based on three of its proprietary IPs “*Moon White* (月白)”, “*Jelly – Comedian* (果凍 – 喜劇人)” and “*YOKUKU*” and its pop toy brand “*KOITAKE*”. During the Reporting Period, pop toys were created based on “*Moon Man* (獨行月球)” (the Company’s summer blockbuster), “*Immortal Samsara* (沉香如屑)” (a popular drama broadcast on Youku) and “*Street Dance of China* (這！就是街舞)” (a popular variety show broadcast on Youku). In particular, “*Street Dance of China*” collaborated with Yakult to create crossover merchandises, which managed to inject new energy into its brand. During the Reporting Period, the Group also partnered with studio artists to launch, on an exclusive basis, pop toys “*Aroma Princess - Dunhuang Giraku* (香料公主 – 敦煌伎樂系列)” and “*Kayla’s Asylum* (凱拉十世 – 瘋人院系列)”, offering rich content to meet demands of different consumers.

Apart from pop toys, the Group is committed to acquiring high-quality IPs, facilitating its business partners to generate economic benefits from those IPs, and satisfying consumers’ needs with innovative IPs. During the Reporting Period, the Group entered into an agreement with Sanrio, where the Group could enjoy an exclusive right to manufacture and sell merchandises of 26 Sanrio characters, such as Hello Kitty, Melody and Little Twin Stars, for a term of five years commencing from January 1, 2023. Such cooperation allows the Group to introduce high-quality IP products, to improve consumer experience and to form a win-win situation with its business partner. During the Reporting Period, the Group also partnered with multiple brands to create IP products. For example, the Group linked up Häagen-Dazs with Louvre Museum (the IP owner) to launch an ice-cream mooncake gift box, featuring the pyramid (an iconic symbol of Louvre), which was awarded the “Best Licensed Product Award 2022” by Licensing International. It enables IP products “created in Mainland China” to be recognized by industry peers as well as the international market.

The Group is not only a discoverer of IP content, but also a service platform to commercialise IPs. Backed by the Group’s licensing and marketing capabilities, the Group could integrate resources within or outside the Alibaba Ecosystem to provide comprehensive distribution channels connecting with both corporate customers and individual consumers (IP2B2C). The Group aims to help develop the licensing industry in Mainland China by providing leading merchants with ongoing support, incubating new brands and exploring popular and emerging trends. During the Reporting Period, sales within the category of toys and figures at Tmall increased by 29% year-over-year as the Group introduced crossover products and seasonal and innovative products.

The Group will continue to explore ways to realize the intrinsic value of its IPs, such that high-quality and storytelling IPs are timeless, collectible and valuable.

The Group's revenue and segment result from the IP merchandising and commercialization segment were approximately RMB223 million and RMB76 million for the Reporting Period, respectively. Revenue remained stable compared to the Corresponding Period and such segment result decreased by approximately RMB31 million, mainly due to the closure of offline stores during the COVID-19 pandemic and increased its investments in high-quality IP content and products.

PROSPECTS

The Group focuses on creating high-quality content for the entertainment industry and increases its presence in the pan-entertainment industry through enhancing its dual engine technology-and-content strategy. In the face of a complex and changing market environment, the Group will continue to invest in high-quality content, innovations and customer value and to focus on three key areas for its business growth: creating high-quality content, building the infrastructure in the cultural and entertainment industry and enriching the pan-entertainment ecosystem. The Group will continue to collaborate with the Alibaba Ecosystem and to leverage its unique strengths in content and technology to offer diversified content at different points in time and through multiple channels, while benefiting more market participants and the cultural industry.

Looking ahead, the Group will continue to:

1. make significant investments in a full range of entertainment content and improve its capabilities to produce a broader set of content, including film content and drama series content, with a view to delivering high-quality content to the market steadily;
2. expand the scope of its technology platform services to promote the use of internet and technology in the industry, and explore multiple business models for IP merchandising and commercialization segment; and
3. promote its collaboration and cooperation with Alibaba Group within the Alibaba Ecosystem to unlock the potential of "technology + content".

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

FINANCIAL REVIEW

Revenue and Profit

During the Reporting Period, revenue of the Group was approximately RMB1,829 million, an increase of 35% year-over-year. The adjusted EBITA turned positive and significantly increased by approximately RMB154 million to approximately RMB149 million for the Reporting Period. Net loss attributable to owners of the Company was approximately RMB22 million for the Reporting Period, a significant decrease of 58% year-over-year from a net loss of approximately RMB53 million for the Corresponding Period, mainly due to the Group's diversified business structure and the focused investment strategy of the Group.

Basic and diluted loss per share of the Company ("Share") significantly narrowed from RMB0.20 cents for the Corresponding Period to RMB0.08 cents for the Reporting Period.

Selling, Marketing and Administrative Expenses

Selling and marketing expenses of the Group decreased by approximately RMB69 million year-over-year from approximately RMB200 million for the Corresponding Period to approximately RMB131 million for the Reporting Period. Selling and marketing expenses as a percentage of revenue decreased from 14.73% for the Corresponding Period to 7.17% for the Reporting Period, reflecting the Group's prudence in incurring marketing expenses for navigating through market uncertainties.

Administrative expenses of the Group decreased by approximately RMB119 million year-over-year from approximately RMB545 million for the Corresponding Period to approximately RMB426 million for the Reporting Period as the Group improved its operating efficiency whilst reducing cost.

Net Finance Income

During the Reporting Period, net finance income of the Group was approximately RMB49 million, mainly comprising interest income on bank deposits and gains on foreign exchange. As the Group held cash reserves in various foreign currencies, gains on foreign exchange were due to the depreciation of RMB against U.S. dollar ("USD") during the Reporting Period.

Material Investments

As at September 30, 2022, the Group held 17 investments in joint ventures and associates, all of which were accounted for using the equity method, with a total book value of approximately RMB1,620 million. As at September 30, 2022, the Group also held 14 investments in unlisted companies and one investment in a listed company, all of which were classified as financial assets at fair value through profit or loss, with a total book value of approximately RMB1,405 million.

The Group's three largest investments were Bona Film Group Co., Limited (“Bona Film”), YH Entertainment Group and Shanghai Tingdong Film Co., Ltd.* (上海亭東影業有限公司), all of which were engaged in film production and distribution business, artist management and other pan-entertainment businesses. The investment in Bona Film constitutes a significant investment of the Group, with an investment amount of approximately RMB840 million, representing approximately 6.18% of the equity interest in Bona Film. As at September 30, 2022, the carrying amount of the Group's long-term equity investment in Bona Film was approximately RMB897 million, representing 5.58% of the Group's total assets. During the Reporting Period, the Group did not receive any dividend and recorded an unrealized loss of approximately RMB122 million in respect of such investment. The Company expects that there will not be material adverse change in its investment in Bona Film in the second half of the financial year, but its value may still be affected by future market conditions.

The Group adopted a conservative investment strategy to manage its investment portfolio (including its investment in Bona Film) during the Reporting Period. Save as disclosed in this announcement, the Group did not have other plans for material investments and capital assets as at September 30, 2022.

Financial Resources and Liquidity

As at September 30, 2022, the Group held cash and cash equivalents and bank deposits of approximately RMB3,850 million (March 31, 2022: RMB3,557 million), which were denominated in RMB, USD and Hong Kong dollar. As at September 30, 2022, the Group had a net cash position with a gearing ratio (being net borrowings over total equity) of nil (March 31, 2022: nil). The Group actively and regularly reviews and manages its capital structure to maintain a balance between shareholder returns and a sound capital position. The Group may make adjustments, where necessary, to maintain an optimal capital structure and to reduce the cost of capital.

Foreign Exchange Risks

While the majority of the Group's production costs and administrative costs are denominated and settled in RMB, the Group requires foreign currencies for some of its offshore investments and collaborations with studios outside Mainland China. The Group will continue to closely monitor its capital needs and manage foreign exchange risks accordingly. As at September 30, 2022, the Group did not have a foreign currency hedging policy nor has it used any currency hedging instruments or financial instruments for hedging purpose, but will closely monitor its foreign currency exposure in a cost-effective manner.

Charge on Assets

As at September 30, 2022, the Group did not have any indebtedness secured by assets. As at March 31, 2022, the Group's fixed assets with a value of approximately RMB9 million were pledged for borrowings in the amount of approximately RMB9 million.

Contingent Liabilities

As at September 30, 2022, the Group did not have any material contingent liabilities (March 31, 2022: nil).

Material Acquisitions and Disposals

As at September 30, 2022, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

Employees and Remuneration Policies

As at September 30, 2022, the Group had 1,444 employees (September 30, 2021: 1,348 employees). The total employee benefit expenses of the Group were approximately RMB467 million for the Reporting Period (September 30, 2021: RMB350 million). The remuneration policies of the Group are determined based on prevailing market rates and the performance of the Group and individual employees. These policies are reviewed on a regular basis. In addition to salary, the Group also provides its employees with fringe benefits, including year-end bonuses, discretionary bonuses, grant of share options under the Company's share option schemes, grant of awarded shares under the Company's share award scheme, contributory provident fund, social security fund, medical benefits, and training.

In addition, each of the Company and Alibaba Holding is committed to providing their employees with a nurturing work environment that supports personal growth and therefore allows internal transfers between the Group and Alibaba Holding, its subsidiaries and affiliates ("Alibaba Holding entities"). In order to attract, incentivize and retain those employees, the Company allows its employees (whose employment status is transferred from Alibaba Holding entities to the Group) to retain their equity-based awards of Alibaba Holding entities. For further details, please refer to the Company's announcement dated September 29, 2022.

Subsequent Events

There was no significant event which might affect the Group after September 30, 2022 and up to the date of this announcement.

INTERIM DIVIDEND

The Board has resolved that no interim dividend will be declared for the six months ended September 30, 2022 (For the six months ended September 30, 2021: nil).

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the "Shareholders") and to enhance corporate value and accountability. It has adopted the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

During the Reporting Period, the Company has complied with all applicable code provisions as set out in the CG Code, save as disclosed below:

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company does not have a separate chairman and chief executive officer and Mr. FAN Luyuan currently performs two roles. 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 for the present arrangement would not be impaired given that there are sufficient checks and balances in the Board as a decision to be made by the Board requires approval by a majority of the Directors and such balance is ensured by the Board which comprises experienced and high caliber individuals and three of whom are independent non-executive Directors.

In addition, the Company provided children in rural areas with free movies such as “*Moon Man (獨行月球)*” and “*Mozart from Space (外太空的莫札特)*” during the Reporting Period, to promote charity projects championing sustainability.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

Having made specific enquiry of all Directors, each of the Directors confirmed that he/she has complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the Reporting Period.

REVIEW OF INTERIM RESULTS

The unaudited interim results of the Group for the Reporting Period have been reviewed by the Audit Committee of the Company.

The unaudited interim results of the Group for the Reporting Period are unaudited, but have been reviewed by the Company's independent auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the Reporting Period.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.com.hk) and the Company (www.alibabapictures.com). The interim report of the Group for the Reporting Period will be dispatched to the Shareholders and published on the above websites in due course.

By order of the Board
Alibaba Pictures Group Limited
Fan Luyuan
Chairman & Chief Executive Officer

Hong Kong, November 29, 2022

As at the date of this announcement, the Board comprises Mr. Fan Luyuan, Mr. Li Jie and Mr. Meng Jun as the executive Directors; Mr. Liu Zheng as the non-executive Director; and Ms. Song Lixin, Mr. Tong Xiaomeng and Mr. Johnny Chen as the independent non-executive Directors.

* *For identification purposes only*