阿里巴巴影业集团™
Alibaba Pictures

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

2020 / 21
ANNUAL REPORT

Stock Code:1060

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Fan Luyuan *(Chairman & Chief Executive Officer)*
Mr. Li Jie *(President)*
Mr. Meng Jun *(Chief Financial Officer)*

Non-Executive Director

Mr. Xu Hong

Independent Non-Executive Directors

Ms. Song Lixin
Mr. Tong Xiaomeng
Mr. Johnny Chen

EXECUTIVE COMMITTEE

Mr. Fan Luyuan *(Committee Chairman)*
Mr. Li Jie
Mr. Meng Jun

AUDIT COMMITTEE

Mr. Johnny Chen *(Committee Chairman)*
Ms. Song Lixin
Mr. Tong Xiaomeng

REMUNERATION COMMITTEE

Mr. Tong Xiaomeng *(Committee Chairman)*
Mr. Fan Luyuan
Ms. Song Lixin

NOMINATION COMMITTEE

Mr. Fan Luyuan *(Committee Chairman)*
Mr. Tong Xiaomeng
Mr. Johnny Chen

COMPANY SECRETARY

Ms. Lew Aishan Nicole

SOLICITOR

Mayer Brown

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and Registered PIE Auditor

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www.alibabapictures.com

PRINCIPAL BANKERS

China CITIC Bank International Limited
China Merchants Bank Co., Ltd.
Bank of Communications Co., Ltd.
The Hongkong and Shanghai Banking Corporation Limited
Citibank (China) Co., Ltd.
East West Bank
JPMorgan Chase Bank, N.A.

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STOCK CODE

Stock Code on The Stock Exchange of Hong Kong Limited: 1060

CHAIRMAN'S STATEMENT

Dear Shareholders,

The 2020/21 Financial Year was an extraordinary year, as the lingering COVID-19 pandemic brought unprecedented challenges to the film and television industry. Due to the pandemic, operations of cinemas were suspended until July 2020. The re-opening of cinemas cast a light of hope for the Chinese film industry. With the support of audiences, China's total box office surpassed that of the North America, ranking the first in the world. If this momentum continues, the industry will usher in explosive growth. Although business activities are severely affected by the pandemic, the operating results and financial performance of Alibaba Pictures Group Limited (the "Company" or "Alibaba Pictures", together with its subsidiaries, the "Group") illustrate the fruitful returns of our significant investment in the pan-entertainment industry.

During the 2020/21 Financial Year, Alibaba Pictures achieved revenue of RMB2,859 million, broadly in line with that of the previous financial year. The adjusted EBITA recorded a profit of RMB118 million, thereby turning profitable for the first time from a loss of RMB661 million for the previous financial year. This success derives from our adherence to our dual-drive strategy featuring "quality content and new infrastructure" over the past seven years, focusing 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.

In terms of our content business, the Group has always been adhering to our value of ordinary people performing heroic deeds that have major emotional appeal while promoting positive values. On this basis, the Group has a content reserve which serves as an engine driving the growth of the Group's business in this difficult time. In the past year, we participated in the production and distribution of more than 20 films, including 6 films under the Jin Cheng Co-production Project (錦橙合製計劃), accounting for 68% and 11% of the nationwide box office, respectively, which fully demonstrates the strength of Alibaba Pictures in content production. Apart from production and distribution, the Group is also committed to becoming a producer of high-quality content. In addition to its significant investment in cinema films, the Group has been diversifying the categories of its entertainment content. During the 2020/21 Financial Year, the professional team of the Group continued to develop strong capabilities from IP discovery to content production, delivering drama series with greater scale and volume. Looking forward, the Company will also dedicate itself to content production on a more extensive scale, such as variety shows, as well as the development and production of offline entertainment content, to truly make Alibaba Pictures a quality content provider in the entire entertainment industry.

As a provider of utility services for the entertainment industry, Alibaba Pictures has been committed to building a digital world in the entertainment industry over the years, facilitating the integration and innovation of the industry through construction of pan-entertainment infrastructure. We have formed a dynamic and rich ecosystem covering 2B and 2C users as well as business partners in the entertainment industry. Our products such as platform ticketing and digitalization platform demonstrate our focus on user value and technological innovation.

In terms of our ticketing business, Tao Piao Piao has 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 2020/21 Financial Year, the number of consumers who purchased after viewing content promotion grew by 20% as compared with the previous financial year. 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 deliver quality and convenient services to more users. Furthermore, Yunzhi, a digitalization product offering operation and management services to cinemas, is designed to utilize technologies to help cinemas improve operational and management efficiency while reducing operating cost. During the 2020/21 Financial Year, Yunzhi continued to rank first among peers in terms of the number of ticket-issuing cinemas.

CHAIRMAN'S STATEMENT

Alibaba Pictures enhances the promotion and distribution of films, dramas series and variety shows through technological innovation. We established a content promotion and distribution platform 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. Data tool products "Beacon Research" and "Beacon Professional" created 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. In addition, we have launched Cloud Production, a digital product covering the entire production process and multiple production scenarios, which is deeply integrated with the production of film and drama series content and designed to advance the further industrialization of film industry. During the 2020/21 Financial Year, the number of crews that used the product significantly increased by 68% as compared with that for the previous financial year.

IP merchandising and commercialization business is a core business of the Group to expand the boundaries of the entertainment industry. With the rising needs of the younger generation for self-expression and spiritual enjoyment, as well as the growing demand of merchants for product marketing and value-added services, the compound annual growth rate of tangible products in the pan-entertainment industry reached 14.2%, with market size of RMB1.2 trillion estimated for 2021. Alibaba Pictures has seized this development opportunity and made business deployments in advance to build an IP matrix centered around the world's top IPs. By empowering merchants to deliver meaningful products, the Group has further enhanced the influence and life cycles of IPs. After years of accumulation, the Group also helps merchants develop customized products with distinctive designs and meaningful stories through constant innovation in image design and resources integration, demonstrating the great commercial value that IPs bring to the products.

As a service platform focusing on IPs, we are able to integrate licensing and marketing by leveraging on the advantages of the Alibaba 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 IP-to-business-to-consumer ("IP2B2C") chain, facilitating the development of the PRC licensing industry as a whole through the power of the platform. We also maximize the value of IPs as an extension of the life cycle of films, drama series and variety shows through various licensing approaches in respect of products, marketing and regions, aiming at quick monetization of hot IPs and developing new channels for merchants to market new products.

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 Digital Media and 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.

Benefiting from its prospective deployment and years of concentrated development, Alibaba Pictures has been performing well. Last year marked a milestone for us to adjust our strategic structure and achieve business leapfrogging. I am full of confidence in the Company's development in the next stage. Alibaba Pictures will continue to consolidate its foundation and adhere to innovation and coordination in the changing environment. We will further invest in the pan-entertainment industry, fully leverage its unique advantages in "content + technology" and continue to work closely with the Alibaba Ecosystem matrix to diversify our business segments, with an aim to create more value for the Company and its shareholders while supporting business growth.

Last but not least, on behalf of the board of directors of the Company, I would like to thank our staff for their diligent work and commitment over the past year. I would also like to take this opportunity to express our most sincere gratitude to our customers, business partners and shareholders for their unwavering support.

Fan Luyuan
Chairman & Chief Executive Officer
Hong Kong, June 9, 2021

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 our dual-drive strategy which made the business more 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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	**2,858,897**	2,874,694	**967,315**	584,506

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 the 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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 an abundant reserve of IPs. The drama series delivered by the Group during the financial year covered multiple 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's mini program, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 both recorded a significant drop as compared with the Previous Period. However, continuing to focus on the value of ordinary people performing heroic deeds that have major emotional appeal while promoting positive values, the Group accumulated a content reserve which served 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 three 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 Homeland* (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 five 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 being 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 three 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 emotion and crime. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 deployment of drama series content 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* (司滕), with over 4 billion plays recorded for the related topics on Douyin. Using a marketing and promotion model that integrates discovery of content trends, KOL-assisted marketing and short-form videos/live streaming, "Taoxiu Media Group" has developed a complete marketing process. 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 (MCN) institutions on Douyin.

MANAGEMENT DISCUSSION AND ANALYSIS

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 content, 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 of merchants 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.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is not only a discoverer of IP content, but also a service platform focusing on IPs. The Group has the capability to integrate licensing and marketing by leveraging on the advantage of the Alibaba 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 ten 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 also been 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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* (刺殺小説家) 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 Digital Media and 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 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 Ecosystem 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 granted under the Company's share option scheme, share awards granted under the Company's share award scheme, contributory provident fund, social security fund, medical benefits and training.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. FAN Luyuan, aged 48 and appointed to the board of the directors of the Company (the "Board") as executive director on January 1, 2016, is the chairman of the Board, the chief executive officer, the chairman of each of the executive committee and the nomination committee and a member of the remuneration committee of the Company. He is also a director of certain subsidiaries of the Company. Mr. Fan is a member of Alibaba Partnership and is currently the president of Alibaba Digital Media and Entertainment Group and the president of Youku. He joined Alipay in 2007, and served consecutively as senior director of Development Department, assistant president, vice president and senior vice president. He was also president of Alipay Business Unit and Wealth Management Business Unit at Ant Financial Services Group. In 2010, he and his team pioneered the first ever Quick Payment, which improved the success rate of online transactions and greatly enhanced user experience. In 2013, Mr. Fan led his team to create Yu'e Bao, which is now one of the world's largest financial products on the internet with over 600 million users, allowing mass consumers to be able to benefit from easy access to financial products. In addition, he and his team made the Alipay APP one of the most popular internet products in China within three years. He holds an executive master's degree in business administration from Cheung Kong Graduate School of Business.

Mr. LI Jie, aged 46 and appointed to the Board on June 24, 2020, is an executive director and a member of the executive committee of the Company. Mr. Li joined the Group on October 1, 2017 and is currently the president of the Group and Tao Piao Piao, responsible for the investment, promotion and distribution of films and the user platform business in Mainland China. He is also a director of certain subsidiaries of the Company. Mr. Li is a vice president of Alibaba Group and the president of Damai.

He has served as a director of Shanghai Tingdong Film Co., Ltd.* (上海亭東影業有限公司) since January 2019 and a non-independent director of Beijing Enlight Media Co., Ltd.* (北京光線傳媒股份有限公司) (Shenzhen Stock Exchange ("SZSE") stock code: 300251) since November 12, 2019. Prior to joining the Group, Mr. Li worked at Youku Tudou Inc. as senior vice president, responsible for strategic partnership, human resources and relevant functions; he joined Alibaba Group in April 2016 upon completion of its acquisition of Youku Tudou Inc. and served as the general manager of its digital entertainment business unit. Mr. Li also held some key management positions at AsiaInfo and Acer Group, serving as vice president and general manager of business department, respectively. Mr. Li holds a Bachelor of Engineering from Tianjin University and an EMBA degree from China Europe International Business School.

Mr. MENG Jun, aged 41 and appointed to the Board on March 5, 2019, is an executive director, chief financial officer and a member of the executive committee of the Company. He is also a director of certain subsidiaries of the Company. Mr. Meng joined the Company on April 9, 2018. Before joining the Company, Mr. Meng served at Alibaba Group, where he held key financial management positions at a number of business units, including among others, Tao Dian Dian, Taobao Movie (now known as Tao Piao Piao), Tmall Supermarket and Alibaba Digital Media and Entertainment Group; he continues to hold some of these positions after joining the Company. Prior to joining Alibaba Group, Mr. Meng held auditing and financial advisory positions at various companies, such as EY and IBM. Mr. Meng holds a bachelor's degree in economics from Beijing Technology and Business University.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Non-Executive Director

Mr. XU Hong, aged 48 and appointed to the Board on January 17, 2020, is a non-executive director of the Company. Mr. Xu is currently the deputy chief financial officer of Alibaba Group. Prior to joining Alibaba Group, Mr. Xu worked at PricewaterhouseCoopers ("PwC") and became a partner in July 2007. Mr. Xu is also a director of each of DSM Grup Danişmanlik Iletişim ve Satiş Ticaret A.Ş., C2 Capital Partners GP Limited and Shanghai Yike New Retail Network Technology Co., Ltd.* (上海逸刻新零售網絡科技有限公司).

He has been a non-executive director of Lianhua Supermarket Holdings Co., Ltd. (Hong Kong Stock Exchange ("SEHK") stock code: 980) since August 28, 2018, a director of Suning.com Co., Ltd.* (蘇寧易購集團股份有限公司) (formerly known as Suning Commerce Group Co., Ltd.* (蘇寧雲商集團股份有限公司)) (SZSE stock code: 2024) since May 8, 2019, a non-executive director of Alibaba Health Information Technology Limited (SEHK stock code: 241) since June 9, 2019, a non-executive director of Red Star Macalline Group Corporation Ltd. (Shanghai Stock Exchange ("SSE") stock code: 601828 and SEHK stock code: 1528) since October 16, 2019, a director of Meinian Onehealth Healthcare Holdings Co., Ltd.* (美年大健康產業控股股份有限公司) (SZSE stock code: 2044) since December 25, 2019, and a non-executive director of Sun Art Retail Group Limited (SEHK stock code: 6808) since December 22, 2020. Mr. Xu obtained a Bachelor's of Science Degree in Physics in July 1996 from Fudan University in the PRC and he is a member of the Chinese Institute of Certified Public Accountants.

Independent Non-Executive Directors

Ms. SONG Lixin, aged 53 and appointed to the Board on December 22, 2014, is an independent non-executive director and a member of each of the audit committee and the remuneration committee of the Company. She has been the president and editor-in-chief of Talents Magazine since 1997. Ms. Song has more than 20 years of experience in the cultural and business sector. Despite facing fierce competition in the print media industry, Ms. Song has built Talents Magazine into a well-known brand in China. Talents Magazine focuses on business leaders and major companies. With its unique reporting perspective, Talents Magazine has become a leading magazine in advanced management ideas. Talents Magazine is also recognized as one of the most influential business magazines in the finance and economics fields. Ms. Song also founded the China Annual Management Summit in 2001 which has continued to run for a consecutive 20 years to date. Ms. Song holds a bachelor's degree in law from Renmin University of China and received an MBA degree from Tsinghua University.

Mr. TONG Xiaomeng, aged 47 and appointed to the Board on June 27, 2014, is an independent non-executive director, the chairman of the remuneration committee and a member of each of the audit committee and nomination committee of the Company. He is a co-founder and managing partner at Boyu Capital. Prior to founding Boyu Capital, Mr. Tong was a managing director at General Atlantic and Providence Equity Partners, where he headed both firms' Greater China practice and served as a director at a number of publicly-listed and privately-held companies. Mr. Tong graduated from Harvard University where he was a member of Phi Beta Kappa.

Mr. Tong is currently a non-executive director of WuXi AppTec Co., Ltd.* (SSE stock code: 603259 and SEHK stock code: 2359). He was a director of Guangzhou Kingmed Diagnostics Group Co., Ltd. (SSE stock code: 603882) from June 2015 to January 2020 and a non-executive director of CStone Pharmaceuticals (SEHK stock code: 2616) from February 2018 to May 2019.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Johnny CHEN, aged 61 and appointed to the Board as independent non-executive director on January 29, 2016, is the chairman of the audit committee and a member of the nomination committee of the Company. Mr. Chen is an Adjunct Associate Professor of Department of Finance and Department of Management, Hong Kong University of Science and Technology. Mr. Chen joined the management of Zurich Insurance Group ("Zurich") in 2005. He worked in Zurich from March 2005 to February 2015 in multiple senior managerial roles in Asia-Pacific region. His last position in Zurich was the chairman of China. Prior to joining Zurich, Mr. Chen was an executive member of the Greater-China Management Board and the Operating Committee of PwC, as well as a managing partner of PwC's Beijing office. Mr. Chen holds a Master of Science Degree in Accounting from the University of Rhode Island and a Bachelor Degree of Accounting from the Johnson & Wales University. He is a U.S. certified public accountant.

Mr. Chen is currently an independent non-executive director of each of Uni-President China Holdings Ltd. (SEHK stock code: 220), Stella International Holdings Limited (SEHK stock code: 1836) and China Travel International Investment Hong Kong Limited (SEHK stock code: 308). Mr. Chen was an executive director (December 2017 – December 2020), non-executive director (January 2021 – March 2021) and the chairman (December 2017 – March 2021) of the board of directors of Convoy Global Holdings Limited (SEHK Stock Code: 1019). He was also an independent non-executive director of each of China Dongxiang (Group) Co., Ltd. (SEHK stock code: 3818) from July 2017 to March 2019, Viva China Holdings Limited (SEHK stock code: 8032) from June 2010 to February 2019, and China Minsheng Financial Holding Corporation Limited (SEHK stock code: 245) from December 2015 to November 2018.

Company Secretary

Ms. LEW Aishan Nicole has been the company secretary of the Company since October 23, 2020. She joined Alibaba Group in August 2014 and is currently a legal director. She was previously the general counsel (March 2016 to August 2020) and company secretary (June 2016 to August 2020) of Alibaba Health Information Technology Limited (Stock Code: 241). Prior to joining Alibaba Group, she worked at Freshfields Bruckhaus Deringer from 2006 to 2014. Ms. Lew obtained a Bachelor of Laws honors degree from University College London and is qualified to practice law in England and Wales. She was admitted as a solicitor of the High Court of Hong Kong in 2008 and is a current member of the Law Society of Hong Kong.

* *For identification purpose only*

DIRECTORS' REPORT

The board of directors (the "Director(s)") (the "Board") of Alibaba Pictures Group Limited (the "Company") presents their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the financial year ended March 31, 2021.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in Note 34 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the financial year ended March 31, 2021 are set out in the consolidated statement of profit or loss on page 137.

The Directors do not recommend the payment of a dividend for the financial year ended March 31, 2021 (2020: nil).

SHARE CAPITAL OF THE COMPANY

Details of share capital of the Company are set out in Note 23 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at March 31, 2021, the Company's distributable reserves calculated in accordance with the provisions of the Bermuda Companies Act amounted to approximately RMB756 million (March 31, 2020: RMB780 million).

BUSINESS REVIEW

The business review of the Group as at March 31, 2021 is set out under the section headed "Management Discussion and Analysis" of this report on pages 5 to 15.

PRINCIPAL RISKS AND UNCERTAINTIES

Principal risks and uncertainties the Group faces are set out under the sections headed "Corporate Governance Report – Accountability and Audit – Risk Management and Internal Control – Disclosure of Material Risks" of this report on pages 95 to 97 and "Directors' Report – Contractual Arrangements – Risks associated with Structured Contracts and the actions taken to mitigate the risks" of this report on pages 69 to 71.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 246.

DIRECTORS' REPORT

DIRECTORS

The Directors during the financial year ended March 31, 2021 and up to the publication date of this report were:

Executive Directors
Mr. Fan Luyuan *(Chairman & Chief Executive Officer)*
Mr. Li Jie *(Appointed on June 24, 2020 & re-elected on September 10, 2020)*
Mr. Meng Jun

Non-Executive Director
Mr. Xu Hong

Independent Non-Executive Directors
Ms. Song Lixin
Mr. Tong Xiaomeng
Mr. Johnny Chen

In accordance with bye-law 87(2) of the Bye-laws, Mr. Fan Luyuan, Ms. Song Lixin, and Mr. Tong Xiaomeng shall retire from office by rotation at the forthcoming annual general meeting ("AGM") and, all being eligible, have offered themselves for re-election.

The Directors' biographical details are set out on pages 16 to 18.

DIRECTORS' REPORT

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at March 31, 2021, the interests and short positions of the Directors and the chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Hong Kong (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long position in the shares and underlying shares of the Company

Name of Director	Capacity	Number of Ordinary Shares held	Derivatives		Aggregate Interests	Approximate Percentage of Aggregate Interests to Total Issued Share Capital of the Company
			Share Options	Awarded Shares		*(Note 1)*
Fan Luyuan	Beneficial owner	–	3,675,000	1,470,000	5,145,000	0.02%
Li Jie	Beneficial owner	813,586	25,000,000	9,400,000	35,213,586	0.13%
Meng Jun	Beneficial owner	–	780,000	330,000	1,110,000	0.00%

Note:

1. Based on a total of 26,834,946,210 ordinary shares of the Company in issue as at March 31, 2021.

Long position in the shares and underlying shares of Alibaba Group Holding Limited ("AGH"), an associated corporation of the Company within the meaning of Part XV of the SFO

Name of Director	Capacity	Number of Shares/Underlying Shares held		Approximate percentage of Aggregate Interests to Total Issued Share Capital of AGH
		(in the number of American Depositary Shares ("ADS(s)") of AGH) (Note 1)	*(in the number of ordinary shares of AGH) (Note 1)*	*(Note 2)*
Fan Luyuan	Note 3	770,257	6,162,056	0.03%
Li Jie	Note 4	78,500	628,000	0.00%
Meng Jun	Note 5	13,929	111,432	0.00%
Xu Hong	Note 6	61,389	491,112	0.00%
Tong Xiaomeng	Note 7	117,647	941,176	0.00%
Johnny Chen	Note 8	100	800	0.00%

DIRECTORS' REPORT

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE *(Continued)*

Long position in the shares and underlying shares of Alibaba Group Holding Limited ("AGH"), an associated corporation of the Company within the meaning of Part XV of the SFO *(Continued)*

Notes:

1. One ADS of AGH represents eight ordinary shares of AGH; and one restricted share unit ("RSU(s)") of AGH represents one ADS of AGH.

2. Based on a total of 21,699,031,448 ordinary shares of AGH in issue as at March 31, 2021.

3. The interest comprised (i) 2,900 ADSs of AGH and 24,167 RSUs of AGH held by Mr. Fan Luyuan; (ii) 409,056 exchangeable ordinary shares ("EOS(s)") of PCIP I Limited ("PCIP I") which are exchangeable into 409,056 ADSs of AGH; (iii) 53,333 ADSs of AGH held by a trust, of which Mr. Fan Luyuan is a founder; and (iv) 280,801 ADSs of AGH held by a trust, the beneficiaries of which include Mr. Fan Luyuan's children under the age of 18.

4. The interest comprised 39,950 ADSs of AGH and 38,550 RSUs of AGH held by Mr. Li Jie.

5. The interest comprised (i) 3,856 ADSs of AGH and 7,950 RSUs of AGH held by Mr. Meng Jun; and (ii) 2,123 ADSs of AGH held by the spouse of Mr. Meng Jun.

6. The interest comprised 18,514 ADSs of AGH and 42,875 RSUs of AGH held by Mr. Xu Hong.

7. The interest comprised 117,647 ADSs of AGH held by Mr. Tong Xiaomeng.

8. The interest comprised 100 ADSs of AGH held by Mr. Johnny Chen.

DIRECTORS' REPORT

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE *(Continued)*

Long position in the shares and underlying shares of PCIP I, an associated corporation of the Company within the meaning of Part XV of the SFO

Name of Director	Capacity	Number of EOSs of PCIP I held	Approximate Percentage of Aggregate Interests to Total Issued EOSs of PCIP I *(Note 1)*
Fan Luyuan	Note 2	409,056	3.67%

Notes:

1. Based on a total of 11,141,372 EOSs of PCIP I in issue as at March 31, 2021.

2. The interest comprised 409,056 EOSs of PCIP I held by a trust of which Mr. Fan Luyuan is a founder.

Save as disclosed above, as at March 31, 2021, none of the Directors, chief executive of the Company nor their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES

2012 Share Option Scheme

The shareholders of the Company approved the adoption of the share option scheme on May 23, 2002 (the "2002 Share Option Scheme") and June 11, 2012 (the "2012 Share Option Scheme") respectively. The 2002 Share Option Scheme expired on May 22, 2012 and no further share options of the Company (the "Share Options") shall be granted under the 2002 Share Option Scheme thereafter. All outstanding Share Options granted under the 2002 Share Option Scheme lapsed during the year ended December 31, 2015.

The following is a summary of the principal terms of the rules of the 2012 Share Option Scheme:

Purpose

The purpose of the 2012 Share Option Scheme is to enable the Company to grant Share Options to selected Participants (as defined in the paragraph headed "Participants" below) as incentive and/or rewards for their contribution and support to the Group and any entity in which the Group holds any equity interest ("Invested Entity") and/or to recruit and retain high-calibre employees of the Company, any subsidiary of the Company or any Invested Entity ("Employee(s)") and attract human resources that are valuable to the Group and any Invested Entity. The basis of eligibility of any of the Participants to the grant of Share Options shall be determined by the Board from time to time on the basis of the Board's opinion as to his/her contribution or potential contribution to the development and growth of the Group.

Participants

The participants of the 2012 Share Option Scheme ("Participants") refers to any person belonging to any of the following classes of participants:

(i) any Employee;

(ii) any executive or non-executive director (including independent non-executive directors) of the Company, any subsidiary of the Company or any Invested Entity;

(iii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iv) any person or entity that provides research, development or other technical support to the Group or any Invested Entity;

(v) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(vi) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and

(vii) any joint venture partner or counter-party to business operation or business arrangements of the Group,

who the Board considers, in its sole discretion, have contributed or will contribute to the Company, and for the purposes of the 2012 Share Option Scheme, the Share Options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of Participants.

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

2012 Share Option Scheme *(Continued)*

Duration and Administration

The 2012 Share Option Scheme shall be valid and effective for the period ("Scheme Period") commencing on the date on which the 2012 Share Option Scheme becomes unconditional (being June 11, 2012, the "Option Scheme Adoption Date") and expiring on the earlier of:

– the tenth anniversary of the Option Scheme Adoption Date; and

– the date on which the 2012 Share Option Scheme is terminated pursuant to the rules of the 2012 Share Option Scheme.

After the Scheme Period, no further Share Options will be granted or accepted but the provisions of the 2012 Share Option Scheme shall remain in full force and effect in all other respects.

The 2012 Share Option Scheme shall be subject to the administration of the Board (including the independent non-executive Directors) whose decision as to all matters relating to the 2012 Share Option Scheme or its interpretations or effect (save as otherwise provided therein) shall be final and binding on all parties.

Grant of Share Options

On and subject to the terms of the 2012 Share Option Scheme, the Board shall be entitled at any time and from time to time during the Scheme Period to offer to grant to any Participant as the Board may in its absolute discretion select, and subject to such conditions (which shall not be inconsistent with the terms of the 2012 Share Option Scheme) as the Board may think fit, an option (the "Option") to subscribe for such number of shares of the Company (as may be permitted under the terms of the 2012 Share Option Scheme) as the Board may determine at the Exercise Price (as defined in the paragraph headed "Exercise Price" below).

An offer of the grant of an Option shall be made to a Participant by letter in such form as the Board may from time to time determine requiring such Participant to whom any offer of the grant of an Option is made (the "Offeree") to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the 2012 Share Option Scheme. Such offer shall be personal to the Offeree and shall not be transferable and shall remain open for acceptance by the Offeree for a period ("Acceptance Period") of 21 days from the date of grant provided that no such offer shall be open for acceptance after the expiry of the Scheme Period.

An Option shall be deemed to have been accepted when the duplicate of the letter offering the Option and containing acceptance of such offer is duly signed and dated by the Offeree together with a remittance in favour of the Company of HK$1 by way of consideration for the grant thereof is received by the Company within the Acceptance Period. Such remittance shall in no circumstances be refundable.

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

2012 Share Option Scheme *(Continued)*

Grant of Share Options *(Continued)*

The grant of Share Options to a connected person or its associates shall be approved by all independent non-executive Directors (excluding any independent non-executive Director who is a grantee (namely, any Participant who accepts the offer of the grant of any Share Option or a person entitled to any such Share Option in accordance with the terms of the 2012 Share Option Scheme in consequence of the death of the original grantee) of the Share Options in question).

Where the grant of Share Options to a connected person who is also a substantial shareholder (as defined in the Listing Rules) of the Company or an independent non-executive Director or any of their respective associates would result in the shares of the Company issued and to be issued upon exercise of the Share Options granted and to be granted (including all the exercised, cancelled and outstanding Share Options) to such connected person in any 12-month period immediately preceding and including the date of grant, and would entitle such connected person to receive more than 0.1% (or such other percentage as may from time to time specified by the Stock Exchange) of the shares of the Company in issue for the time being and the aggregate value (based on the closing price of the shares of the Company as stated in the daily quotations sheet issued by the Stock Exchange at the date of each grant) of which is in excess of HK$5,000,000 (or such other amount as may from time to time specified by the Stock Exchange), such grant of Share Options must be approved by the shareholders of the Company in general meeting.

Exercise Price

The Exercise Price shall be a price notified by the Board to the Offeree (subject to any adjustments) and shall be at least the highest of:

(a) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant which must be a business day;

(b) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and

(c) the nominal value of a share of the Company.

Without prejudice to the generality of the foregoing, the Board may grant Share Options in respect of which the Exercise Price is fixed at different prices for different periods during a period of 10 years commencing on the date of grant of an Option and expiring on the last day of the said 10-year period (the "Option Period") provided that the Exercise Price for each of the different periods shall not be less than the Exercise Price determined in the manner set out in the paragraph above.

Exercise of Share Options

An Option shall be personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, assign, charge, mortgage, encumber or create any interest in, over or to any Share Option in favour of any third party. The Company may, after having reasonably satisfied itself that the grantee shall have committed a breach of this paragraph, revoke any Option granted to such grantee (to the extent that it has become exercisable and not already exercised by notice). Such revocation shall be final and binding on such grantee.

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

2012 Share Option Scheme *(Continued)*

Exercise of Share Options *(Continued)*

Subject to other provisions in the 2012 Share Option Scheme and any restrictions which may be imposed by the Board or applicable under the Listing Rules and notwithstanding the terms of grant thereof, the Option, to the extent it has not expired, may be exercised by the grantee at any time during the Option Period provided that at the time of exercise of the Option, the grantee (as an Employee) shall have already been and remains as an Employee for a period of 12 months or more.

There is no general requirement that an Option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of an offer of the grant of an Option.

Maximum Limit

The maximum number of the shares of the Company which may be issued upon exercise of all outstanding Share Options granted and yet to be exercised under the 2012 Share Option Scheme and any other schemes shall not exceed 30% of the shares of the Company in issue from time to time. No Option may be granted under the 2012 Share Option Scheme and any other schemes if this will result in the maximum number of the shares of the Company referred to in this paragraph being exceeded.

Share Options lapsed or cancelled in accordance with the terms of the 2012 Share Option Scheme or any other schemes shall not be counted for the purposes of calculating the said 30% limit.

Subject to any other relevant provisions in the 2012 Share Option Scheme, the total number of shares of the Company available for issue upon exercise of all Share Options which have been or may be granted under the 2012 Share Option Scheme and any other schemes must not, in aggregate, exceed 774,274,256 shares (the "Scheme Mandate Limit"), representing 10% of the shares of the Company in issue as at the Option Scheme Adoption Date. The Scheme Mandate Limit was refreshed by the shareholders of the Company at the AGM held on June 23, 2017 ("2017 AGM"), to 2,523,456,141 shares, representing 10% of the shares of the Company in issue as at the date of passing the ordinary resolution approving the refreshment of the Scheme Mandate Limit by the shareholders of the Company at the 2017 AGM. The Company may seek separate approval of the shareholders of the Company in general meeting to grant Share Options beyond the Scheme Mandate Limit, provided that the Share Options in excess of the Scheme Mandate Limit are granted only to Participants specifically identified by the Company before such approval is sought.

Individual Limit

The total number of shares issued and to be issued upon exercise of the Share Options granted and to be granted to each grantee (including both exercised and outstanding Share Options) in any 12-month period up to the date of grant to each grantee must not exceed 1% of the aggregate number of shares of the Company for the time being in issue. Where any further grant of Share Options to a grantee would result in the shares issued and to be issued upon exercise of all Share Options granted and to be granted to such grantee (including exercised, cancelled and outstanding Share Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the aggregate number of shares of the Company for the time being in issue, such further grant must be separately approved by the shareholders of the Company in general meeting with such grantee and his associates abstaining from voting.

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

2012 Share Option Scheme *(Continued)*

Movements of Share Options

As at March 31, 2021, a total of 261,538,100 Share Options had been granted and remained outstanding under the 2012 Share Option Scheme, representing approximately 0.97% of the shares of the Company in issue as at the date of this report. No participant was granted with Share Options in excess of the individual limit as set out in the 2012 Share Option Scheme. As at the date of this report, the remaining term of the 2012 Share Option Scheme is approximately one year. Further details of the 2012 Share Option Scheme are set out in Note 24 to the consolidated financial statements.

Movements of the Share Options granted by the Company pursuant to the 2012 Share Option Scheme during the financial year ended March 31, 2021 were as follows:

Category		Date of grant	Exercise price per share *(HK$)*	Closing price of shares immediately before the date on which the Share Options were granted *(HK$)*	Weighted average closing price of shares immediately before the date on which the Share Options were exercised *(HK$)*	Outstanding as at April 1, 2020	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at March 31, 2021	Vesting period *(Notes)*
Directors												
Fan Luyuan		05/06/2020	1.070	1.050	–	–	3,675,000	–	–	–	3,675,000	1(iv)
Li Jie		21/05/2018	0.912	0.910	–	5,000,000	–	–	–	–	5,000,000	1(ii)
		31/05/2019	1.630	1.600	–	6,000,000	–	–	–	–	6,000,000	1(ii)
		05/06/2020	1.070	1.050	–	–	14,000,000	–	–	–	14,000,000	1(ii)
Meng Jun		05/06/2020	1.070	1.050	–	–	780,000	–	–	–	780,000	1(ii)
Employees		28/01/2015	1.670	1.650	–	2,100,000	–	–	1,500,000	–	600,000	1(i)
		13/04/2016	1.880	1.890	–	5,925,000	–	–	725,000	–	5,200,000	1(ii)
		03/06/2016	1.860	1.860	–	7,680,000	–	–	1,980,000	–	5,700,000	1(ii)
		05/12/2016	1.494	1.470	–	1,050,000	–	–	1,050,000	–	0	1(ii)
		05/12/2016	1.494	1.470	–	1,800,000	–	–	1,200,000	–	600,000	1(i)
		24/10/2017	1.276	1.270	–	7,700,000	–	–	1,500,000	–	6,200,000	1(ii)
		18/01/2018	1.060	1.070	1.120	6,200,000	–	2,500,000	2,500,000	–	1,200,000	1(i)
		21/05/2018	0.912	0.910	1.100	10,700,000	–	30,000	–	–	10,670,000	1(i)
		21/05/2018	0.912	0.910	1.121	50,600,000	–	8,200,000	10,600,000	–	31,800,000	1(ii)
		26/09/2018	1.020	1.010	1.104	16,800,000	–	1,201,000	4,100,000	–	11,499,000	1(i)
		26/09/2018	1.020	1.010	1.135	15,600,000	–	850,000	700,000	–	14,050,000	1(ii)
		31/05/2019	1.630	1.600	–	11,100,000	–	–	3,300,000	–	7,800,000	1(i)
		31/05/2019	1.630	1.600	–	44,842,500	–	–	7,898,000	–	36,944,500	1(ii)
		31/05/2019	1.630	1.600	–	3,600,000	–	–	–	–	3,600,000	1(iii)
		23/09/2019	1.340	1.320	–	1,400,000	–	–	–	–	1,400,000	1(i)
		23/09/2019	1.340	1.320	1.070	19,800,000	–	150,000	2,400,000	–	17,250,000	1(ii)
		15/01/2020	1.460	1.470	–	13,300,000	–	–	2,200,000	–	11,100,000	1(i)
		05/06/2020	1.070	1.050	–	–	45,592,400	–	5,122,800	–	40,469,600	1(ii)
		05/06/2020	1.070	1.050	–	–	1,500,000	–	–	–	1,500,000	1(i)
		11/09/2020	1.144	1.100	–	–	24,700,000	–	1,200,000	–	23,500,000	1(ii)
		11/09/2020	1.144	1.100	–	–	2,200,000	–	1,200,000	–	1,000,000	1(i)
Total:						231,197,500	92,447,400	12,931,000	49,175,800	–	261,538,100	

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

2012 Share Option Scheme *(Continued)*

Notes:

1. The Share Options granted under the 2012 Share Option Scheme are subject to a vesting schedule and can be exercised in the following manner:

(i) Category A

Vesting Date	Percentage that can be exercised
First vesting date (being second anniversary of employment commencement date)	Up to 50% of the Share Options granted
First anniversary of first vesting date	Up to 75% of the Share Options granted
Second anniversary of first vesting date	Up to 100% of the Share Options granted

The vesting period of the Share Options under Category A commences on the date of the relevant grantee's commencement of employment, and the first vesting date falls on the second anniversary of the date of commencement of employment.

(ii) Category B

Vesting Date	Percentage that can be exercised
First vesting date (being first anniversary of promotion effective date or performance incentive effective date)	Up to 25% of the Share Options granted
First anniversary of first vesting date	Up to 50% of the Share Options granted
Second anniversary of first vesting date	Up to 75% of the Share Options granted
Third anniversary of first vesting date	Up to 100% of the Share Options granted

The vesting period of the Share Options under Category B commences on promotion effective date, performance incentive effective date or the date of commencement of employment of the relevant grantee, and the first vesting date falls on the first anniversary of the date of commencement of the vesting period.

(iii) Category C

Vesting Date	Percentage that can be exercised
First vesting date (being second anniversary of March 19, 2019)	Up to 1/3 of the Share Options granted
Second anniversary of first vesting date	Up to 2/3 of the Share Options granted
Fourth anniversary of first vesting date	Up to 100% of the Share Options granted

The vesting period of the Share Options under Category C commences on March 19, 2019, and the first vesting date falls on the second anniversary of the date of commencement of the vesting period.

(iv) Category D

Vesting Date	Percentage that can be exercised
First vesting date (being first anniversary of April 1, 2020)	Up to 1/6 of the Share Options granted
First anniversary of first vesting date	Up to 2/6 of the Share Options granted
Second anniversary of first vesting date	Up to 3/6 of the Share Options granted
Third anniversary of first vesting date	Up to 4/6 of the Share Options granted
Fourth anniversary of first vesting date	Up to 5/6 of the Share Options granted
Fifth anniversary of first vesting date	Up to 100% of the Share Options granted

The vesting period of the Share Options under Category D commences on April 1, 2020, and the first vesting date falls on the first anniversary of the date of commencement of the vesting period.

2. The period within which the Share Options must be exercised shall not be more than 10 years from the date of grant.

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

Share Award Scheme

The share award scheme of the Company ("Share Award Scheme") was adopted and amended by the Board on December 30, 2016 ("Adoption Date") and March 29, 2019, respectively. Summary of principal terms of the Share Award Scheme are set forth below:

Purposes and Objectives

To recognize the contributions by certain persons, including employees of the Group and/or any company in which a group company may have a direct or indirect investment in 20% or more of its voting powers and any company which is a controlling shareholder of the Company including subsidiaries of such controlling shareholder (together, the "Associated Entity") and to provide incentives to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group.

Administration

The Share Award Scheme shall be subject to the administration of the Board and the trustee in accordance with the rules of the Share Award Scheme ("Scheme Rules") and the trust deed dated December 30, 2016 entered into between the Company and the trustee ("Trust Deed").

Duration

Subject to any early termination determined by the Board, the Share Award Scheme shall be valid and effective for a term (the "Trust Period") commencing on the Adoption Date and ending on the first to happen of the following, namely:

(a) the 15th anniversary date of the Adoption Date;

(b) the date when an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company; or

(c) the date as may be informed by the Company that the Share Award Scheme shall be terminated.

As at March 31, 2021, the remaining life of the Share Award Scheme is approximately 11 years.

Maximum Limit

The maximum aggregate number of shares of the Company ("Shares") which can be held by the trustee under the Share Award Scheme at any single point in time shall not exceed two percent (2%) of the total issued share capital of the Company from time to time. The Board shall not make any further award which will result in the aggregate number of Shares held by the trustee under the Share Award Scheme to be in excess of 2% of the issued share capital of the Company from time to time. The maximum number of Shares (including both vested and non-vested Shares) which may be awarded to any employee (whether full time or part time), consultant, executive or officer, director (including any executive director, non-executive director and independent non-executive director) of any member of the Group or any Associated Entity ("Employee(s)") selected by the Board ("Selected Employee(s)") under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

Share Award Scheme *(Continued)*

Restrictions

No award shall be made by the Board and no instructions to acquire Shares shall be given to the trustee under the Share Award Scheme where dealings in the Shares are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time.

Operation

Pursuant to the Scheme Rules, the Board may from time to time cause to be paid certain amount to the trust constituted by the Trust Deed (the "Trust") by way of settlement or otherwise contributed by the Company, any subsidiary of the Company or Associated Entity as directed by the Board which shall constitute part of the trust fund, for the purchase or subscription (as the case may be) of the Shares.

In the event that the Shares as awarded by the Board to a Selected Employee ("Awarded Shares") are to be allotted and issued as new Shares under the general mandate or a specific mandate granted or to be granted by the shareholders of the Company from time to time for the purpose of the Trust, the Board shall cause an amount not less than the nominal value of such new Shares to be allotted and issued be transferred from the Company's resources as soon as practicable but in any event not later than five business days prior to the allotment and issuance of such Shares as subscription monies for the new Shares and cause to issue and allot such new Shares to the trustee, which shall be held upon trust for the relevant Selected Employee in accordance with the Scheme Rules and the Trust Deed. Where any grant of Awarded Shares is proposed to be made to a connected person of the Company involving new Shares, the Company will comply with applicable provisions of the Listing Rules as and when appropriate.

The Board may also from time to time instruct the trustee in writing to purchase Shares on the Stock Exchange, in which case, the Board shall specify the maximum amount of funds to be used and the range of prices at which such Shares are to be purchased. The trustee shall apply such amount of residual cash in the trust fund towards the purchase of such maximum board lot of Shares at the prevailing market price according to the Board's instructions. Once purchased, the Shares are to be held by the trustee for the benefit of Employees under the Trust.

Vesting and Lapse

The Board is entitled to impose any conditions (including a period of continued service within the Group after any award of the Awarded Shares) as it deems appropriate in its absolute discretion with respect to the vesting of the Awarded Shares on the Selected Employee. Subject to the terms and conditions of the Share Award Scheme and the fulfillment of all vesting conditions to the vesting of the Awarded Shares on a Selected Employee as specified in the Share Award Scheme and the letter of award, the trustee shall transfer the Awarded Shares to such Selected Employee on the date ("Vesting Date") on which his/her entitlement to the Awarded Shares is vested in such Selected Employee in accordance with the Scheme Rules.

Award shall, to the extent not yet vested, automatically lapse forthwith when a Selected Employee is found to be any excluded Employee (namely, any Employee who is resident in a place where the award of the Awarded Shares and/or the vesting and transfer of the Awarded Shares pursuant to the terms of the Share Award Scheme is not permitted under the laws or regulations of such place, or where in the view of the Board or the trustee (as the case may be), in compliance with applicable laws or regulations in such place, makes it necessary or expedient to exclude such employee) or is deemed to cease to be an Employee prior to or on the Vesting Date.

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

Share Award Scheme *(Continued)*

Vesting and Lapse *(Continued)*

In the event a Selected Employee (i) has suffered disability as a result of or in connection with performance of his duty during the course of employment with a Group company or Associated Entity at any time prior to the Vesting Date and is unable to perform his duties; or (ii) has died during his employment with a Group company or Associated Entity; or (iii) has retired by agreement with a member of the Group or Associated Entity or resigned at any time prior to or on the Vesting Date, all the relevant Awarded Shares shall, to the extent not yet vested, automatically lapse on the last day of employment unless the Board determines otherwise.

In the event of the death of a Selected Employee, the trustee shall hold the vested Awarded Shares upon trust and to transfer the same to the legal personal representatives of the Selected Employee.

In the event a Selected Employee ceases to be an Employee for cause or commits any serious misconduct, the award, whether vested or unvested, shall automatically be cancelled as of the date of the termination for cause or the commission of the serious misconduct.

If there occurs an event of change in control (as specified in The Codes on Takeovers and Mergers and Share Buy-backs) of the Company, whether by way of offer, merger, scheme of arrangement, compromise or arrangement pursuant to the Bermuda Companies Act or otherwise, and such change in control event becomes or is declared unconditional prior to the Vesting Date, the Board shall determine at its sole discretion whether such Awarded Shares shall vest in the Selected Employee and the time at which such Awarded Shares shall vest.

Voting Rights

The trustee shall not exercise the voting rights in respect of any Shares held by it under the Trust (including but not limited to the Awarded Shares, any bonus Shares and scrip Shares derived therefrom).

The Board is of the view that not exercising the voting rights by the trustee will help avoid potential misperception of the Company's influence over the trustee's decision in casting the votes in respect of the Shares held under the Trust at general meetings of the Company.

Termination

The Share Award Scheme shall terminate on the earlier of the expiry of the Trust Period or such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of the Selected Employees.

Upon termination, no further awards shall be granted but in all other respects, the Scheme Rules shall remain in full force and effect in respect of awards which have been granted during the term of the Share Award Scheme and which remain unvested or which have vested but not yet been transferred to a Selected Employee immediately prior to the termination of the Share Award Scheme; all Shares (except for any Awarded Shares subject to vesting on the Selected Employees) remaining in the trust fund shall be sold by the trustee within 28 business days (on which the trading of the Shares has not been suspended) (or such longer period as the trustee and the Board may otherwise determine) and all the net proceeds of sale and such other funds and properties remaining in the trust fund managed by the trustee (after making appropriate deductions in respect of all disposal costs, liabilities and expenses) shall be remitted to the Company forthwith.

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

Share Award Scheme *(Continued)*

Movements of Awarded Shares

During the financial year ended March 31, 2021, the movements of Awarded Shares granted under the Share Award Scheme were as follows:

Date of Grant	Total number of Awarded Shares granted on the date of grant	Closing price of shares immediately before the date on which the Awarded Shares were granted *(HK$)*	Number of Awarded Shares outstanding as at April 1, 2020	Number of Awarded Shares granted during the year	Number of Awarded Shares vested during the year	Number of Awarded Shares lapsed during the year	Number of Awarded Shares outstanding as at March 31, 2021
28/07/2017	183,060,000 *(Notes 1 & 11)*	1.310	9,488,000	–	8,563,000	265,000	660,000
27/10/2017	79,449,000 *(Notes 2 & 11)*	1.250	11,799,000	–	8,464,000	1,103,000	2,232,000
18/01/2018	18,320,000 *(Notes 3 & 11)*	1.070	6,520,000	–	2,640,000	2,380,000	1,500,000
21/05/2018	94,378,600 *(Notes 4 & 11)*	0.910	46,769,700	–	16,969,900	6,367,650	23,432,150
26/09/2018	50,120,000 *(Notes 5 & 11)*	1.010	35,360,000	–	14,320,000	5,880,000	15,160,000
31/05/2019	145,872,700 *(Notes 6 & 11)*	1.600	132,958,100	–	36,409,524	19,324,200	77,224,376
23/09/2019	35,870,000 *(Notes 7 & 11)*	1.320	35,420,000	–	6,200,000	7,835,000	21,385,000
15/01/2020	12,850,000 *(Notes 8 & 11)*	1.470	12,850,000	–	–	2,750,000	10,100,000
05/06/2020	127,281,100 *(Notes 9 & 11)*	1.050	–	127,281,100	–	17,345,200	109,935,900
11/09/2020	37,760,000 *(Notes 10 & 11)*	1.100	–	37,760,000	–	7,020,000	30,740,000
Total:	**784,961,400**		**291,164,800**	**165,041,100**	**93,566,424**	**70,270,050**	**292,369,426**

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

Share Award Scheme *(Continued)*

Movements of Awarded Shares *(Continued)*

Notes:

1. Among these Awarded Shares, 2,000,000 Awarded Shares were granted to Ms. Zhang Wei, a then executive director of the Company, and a total of 22,266,500 Awarded Shares were granted to three directors of certain subsidiaries of the Company. The remaining 158,793,500 Awarded Shares were granted to 297 employees of the Company who are not connected persons of the Company.

2. Among these Awarded Shares, 2,000,000 Awarded Shares were granted to Ms. Zhang Wei, a then executive director of the Company, and 1,100,000 Awarded Shares were granted to a director of certain subsidiaries of the Company. The remaining 76,349,000 Awarded Shares were granted to 302 employees of the Company who are not connected persons of the Company.

3. These Awarded Shares were granted to 23 employees of the Company who are not connected persons of the Company.

4. Among these Awarded Shares, 2,500,000 Awarded Shares were granted to Ms. Zhang Wei, a then executive director of the Company, and 1,200,000 Awarded Shares were granted to a director of certain subsidiaries of the Company. The remaining 90,678,600 Awarded Shares were granted to 326 employees of the Company who are not connected persons of the Company.

5. These Awarded Shares were granted to 85 employees of the Company who are not connected persons of the Company.

6. Among these Awarded Shares, 3,000,000 Awarded Shares were granted to a person who was a director of the Company within the last 12 months, and 2,400,000 Awarded Shares were granted to a director of certain subsidiaries of the Company. The remaining 140,472,700 Awarded Shares were granted to 377 employees of the Company who are not connected persons of the Company.

7. These Awarded Shares were granted to 79 employees of the Company who are not connected persons of the Company.

8. These Awarded Shares were granted to 18 employees of the Company who are not connected persons of the Company.

9. Among these Awarded Shares, 1,470,000 Awarded Shares and 330,000 Awarded Shares were granted to Mr. Fan Luyuan and Mr. Meng Jun respectively, each an executive director of the Company, and 7,000,000 Awarded Shares were granted to a director of certain subsidiaries of the Company. The remaining 118,481,100 Awarded Shares were granted to 335 employees of the Company who are not connected persons of the Company.

10. These Awarded Shares were granted to 80 employees of the Company who are not connected persons of the Company.

11. The Awarded Shares granted to each grantee have a specific vesting schedule of not more than 6 years, and the grantees are not required to pay for the grant/vesting/exercise of the Awarded Shares.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Incentive Schemes" above, at no time during the financial year ended March 31, 2021 was the Company, any of its holding companies, its subsidiaries or its fellow subsidiaries, a party to any arrangements to enable the Directors or chief executive of the Company or their respective associates (as defined under the Listing Rules) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' REPORT

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" below and the related party transactions as disclosed in Note 32 to the consolidated financial statements, no transactions, arrangements or contracts of significance to which the Company, any of its holding companies, its subsidiaries or its fellow subsidiaries was a party and in which a Director and/or any of its connected entity had a material interest, whether directly or indirectly, and no transaction, arrangement or contract of significance between the Company, any of its holding companies, its subsidiaries and the Company's controlling shareholder or any of its subsidiaries, subsisted at the end of the financial year ended March 31, 2021 or at any time during the financial year ended March 31, 2021.

DIRECTORS' SERVICE CONTRACTS

No Directors being proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the financial year ended March 31, 2021.

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

For details of relationship with the employees, please refer to the paragraph headed "Employees and Remuneration Policies" in the section headed "Management Discussion and Analysis" as set out on page 15 of this report.

For details of relationship with customers and suppliers, please refer to the paragraph headed "Major Customers and Suppliers" in this section.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year ended March 31, 2021. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against the Directors and officers.

COMPLIANCE WITH LAWS AND REGULATIONS

For the financial year ended March 31, 2021 and up to the date of this report, to the best knowledge of the Directors, the Group complied with applicable laws, rules and regulations in all material aspects.

DIRECTORS' REPORT

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to promoting environmentally friendly business practices and raising awareness on the conservation of natural resources. Utilizing Alibaba Group's powerful intranet systems, our staff can accomplish some of their administrative work electronically which reduces the use of office supplies. We also encourage prudent electricity consumption. Our staff are advised to turn off any lights in unoccupied areas.

The Group believes that taking active measures in minimizing wasteful material and energy consumption in the course of conducting our business would not only bring economic benefits but also assist in the preservation of the natural environment.

An Environmental, Social and Governance Report has been incorporated in this report on pages 102 to 125.

MAJOR CUSTOMERS AND SUPPLIERS

During the financial year ended March 31, 2021, the percentage of the Group's revenue attributable to the Group's five largest customers combined was less than 30%; the percentage of the Group's purchases attributable to the Group's five largest suppliers combined was less than 30%.

CONNECTED TRANSACTIONS

During the financial year ended March 31, 2021, the Company entered into a number of transactions with entities which are connected persons (as defined in Chapter 14A of the Listing Rules) of the Company, and such transactions constituted non-exempt connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules. These relevant entities include:

(1) Alibaba Group Holding Limited ("AGH", together with its subsidiaries, "Alibaba Group"), which indirectly wholly owns Ali CV Investment Holding Limited ("Ali CV"), a controlling shareholder of the Company holding approximately 50.26% of the issued share capital of the Company, and is hence a connected person of the Company;

(2) 優酷信息技術(北京)有限公司 (Youku Information Technology (Beijing) Co., Ltd.*) ("Youku Information"), which is a consolidated entity of AGH. Accordingly, Youku Information is an associate of Ali CV and a connected person of the Company;

(3) 浙江天貓技術有限公司 (Zhejiang Tmall Technology Co., Ltd.*) ("Tmall Technology"), which is an indirect wholly-owned subsidiary of AGH. Accordingly, Tmall Technology is an associate of Ali CV and a connected person of the Company;

(4) 浙江天貓網絡有限公司 (Zhejiang Tmall Network Co., Ltd*) ("Tmall Network"), which is a consolidated entity of AGH. Accordingly, Tmall Network is an associate of Ali CV and a connected person of the Company;

(5) Alibaba Group (U.S.) Inc. ("Alibaba US"), which is an indirect wholly-owned subsidiary of AGH. Accordingly, Alibaba US is an associate of Ali CV and a connected person of the Company;

(6) Wavelets Entertainment, Inc. ("Wavelets"), which is a 30%-controlled company (as defined in Chapter 14A of the Listing Rules) indirectly held by AGH. Accordingly, Wavelets is an associate of Ali CV and a connected person of the Company;

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

(7) Ant Group Co., Ltd. (螞蟻科技集團股份有限公司) (formerly known as 浙江螞蟻小微金融服務集團股份有限公司 (Ant Small and Micro Financial Services Group Co., Ltd.*)) ("Ant Group"), which is a 30%-controlled company (as defined in Chapter 14A of the Listing Rules) of AGH. Accordingly, Ant Group is an associate of Ali CV and a connected person of the Company;

(8) 支付寶(中國)網絡技術有限公司 (Alipay.com Co., Ltd.*) ("Alipay"), which is a wholly-owned subsidiary of Ant Group. Accordingly, Alipay is an associate of Ali CV and a connected person of the Company;

(9) 杭州阿里媽媽軟件服務有限公司 (Hangzhou Alimama Software Services Co., Ltd.*) ("Alimama"), which is an indirect wholly-owned subsidiary of AGH. Accordingly, Alimama is an associate of Ali CV and a connected person of the Company;

(10) 上海全土豆文化傳播有限公司 (Shanghai Quan Tudou Cultural Communication Co., Ltd.*) ("Youku Tudou"), which is a consolidated entity of AGH. Accordingly, Youku Tudou is an associate of Ali CV and a connected person of the Company;

(11) 酷漾文化傳播有限公司 (Cool Young Culture Communication Co., Ltd.*) ("Cool Young"), which is indirectly controlled by the Company and AGH as to 51% and 49% equity interest, respectively. Accordingly, Cool Young is a 30%-controlled company indirectly held by AGH and a connected subsidiary (as defined in Chapter 14A of the Listing Rules) of the Company, as well as a connected person of the Company;

(12) 北京優酷科技有限公司 (Beijing Youku Technology Co., Ltd.*) ("Youku Technology"), which is an indirect subsidiary of AGH. Accordingly, Youku Technology is an associate of Ali CV and a connected person of the Company;

(13) 支付寶(杭州)信息技術有限公司 (Alipay (Hangzhou) Information Technology Co., Ltd.*) ("Alipay (Hangzhou)"), which is a wholly-owned subsidiary of Ant Group. Accordingly, Alipay (Hangzhou) is an associate of Ali CV and a connected person of the Company;

(14) 北京紅馬傳媒文化發展有限公司 (Beijing Pony Media Culture Development Co., Ltd.*) ("Beijing Pony Media"), which is a consolidated entity of AGH. Accordingly, Beijing Pony Media is an associate of Ali CV and a connected person of the Company;

(15) 優視科技(中國)有限公司 (UC Mobile (China) Co., Ltd*) ("UC Mobile"), which is an indirect wholly-owned subsidiary of AGH. Accordingly, UC Mobile is an associate of Ali CV and a connected person of the Company; and

(16) 螞蟻蓉信(成都)網絡科技有限公司 (Ant Rongxin (Chengdu) Network Technology Co., Ltd.*) ("Ant Rongxin"), which is an indirect wholly-owned subsidiary of Ant Group. Accordingly, Ant Rongxin is an associate of Ali CV and a connected person of the Company.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS

Connected Transaction

(1) Transaction in relation to the acquisition of Tianjin Yinhekuyu

On March 18, 2020, 浙江東陽阿里巴巴影業有限公司 (Zhejiang Dongyang Alibaba Pictures Co., Ltd.*) ("Zhejiang Dongyang Alibaba Pictures"), a consolidated subsidiary of the Company, entered into a share transfer agreement (the "Share Transfer Agreement") with 上海雲鋒新呈投資中心(有限合夥) (Shanghai Yunfeng Xincheng Investment Center (Limited Partnership)*), 北京創時信和創業投資有限公司 (Beijing Chuangshi Xinhe Investment Co., Ltd.*), 深圳洪泰成長創業投資中心(有限合夥) (Shenzhen Hongtai Growth Venture Capital Centre (L.P.)*) (collectively, the "Investor Shareholders"), 北京博方融智投資有限公司 (Beijing Bofang Rongzhi Investment Co., Ltd.*), 天津利合文化傳播合夥企業(有限合夥) (Tianjin Lihe Cultural Communication Partnership (Limited Partnership)*) (collectively, the "Founding Shareholders"), Mr. Wei Yuan, Ms. Wu Xiaozhen and Mr. Li Wei (collectively, the "Founders"), Youku Information (a consolidated subsidiary of AGH) and 天津銀河酷娛文化傳媒有限公司 (Tianjin Yinhekuyu Culture Media Co. Ltd.*) ("Tianjin Yinhekuyu"). Pursuant to the Share Transfer Agreement, (i) Zhejiang Dongyang Alibaba Pictures agreed to acquire, and the Investor Shareholders agreed to sell, an aggregate of approximately 28.81% equity interest in Tianjin Yinhekuyu for a total consideration of no more than RMB277,000,000; and (ii) Zhejiang Dongyang Alibaba Pictures agreed to acquire, and the Founding Shareholders agreed to sell, an aggregate of approximately 31.18% equity interest in Tianjin Yinhekuyu for a total consideration of no more than RMB123,000,000 (the "Acquisition").

The Investor Shareholders, the Founding Shareholders, the Founders, Tianjin Yinhekuyu and their respective beneficial owners (except Youku Information) are independent of the Company and its connected persons. Upon completion of the Acquisition, Zhejiang Dongyang Alibaba Pictures, Youku Information and the Founding Shareholders will, in aggregate, hold as to 60%, 20% and 20% equity interest in Tianjin Yinhekuyu, respectively.

In light of the subsequent proposal of Tianjin Yinhekuyu to independently develop its business, having considered the interests of the Company and its shareholders and following further negotiation among the relevant parties, Zhejiang Dongyang Alibaba Pictures entered into a termination agreement (the "Termination Agreement") with the Investor Shareholders, the Founding Shareholders, the Founders, Youku Information and Tianjin Yinhekuyu on October 16, 2020. Pursuant to the Termination Agreement, the Share Transfer Agreement shall be terminated and the Acquisition shall not proceed to completion.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions

(1) *Alifish Technology Services Agreement*

On January 15, 2018, 阿里巴巴授權寶(天津)文化傳播有限公司 (Alibaba Shouquanbao (Tianjin) Culture Communication Co., Ltd.*) ("Shouquanbao"), a consolidated subsidiary of the Company, entered into a business licensing agreement (the "Business Licensing Agreement") and a technology services agreement (the "Alifish Technology Services Agreement") with Tmall Technology, in respect of Alifish platform, an IP trading platform of Alibaba Group, each for a term of three years commenced from January 15, 2018 and ended on January 14, 2021. Pursuant to the Business Licensing Agreement, Shouquanbao was granted the exclusive operating rights of Alifish platform for three years, and the entering into of the Business Licensing Agreement constituted a de minimis continuing connected transaction of the Company under Chapter 14A of the Listing Rules. Pursuant to the Alifish Technology Services Agreement, Shouquanbao may use the necessary technology services (including but not limited to data analysis and statistics, data reporting and system maintenance) provided by Tmall Technology for the operation of Alifish platform. It was expected that the maximum annual service fee (in any 12-month period) for the technology services under the Alifish Technology Services Agreement would not exceed RMB668,000. The actual fee paid/payable by the Group under the Alifish Technology Services Agreement for each of the 12-month period ended January 14, 2019, January 14, 2020 and January 14, 2021 was nil.

(2) *Renewed Shared Services Agreement and Second Renewal of the Shared Services Agreement*

On November 4, 2015, the Company entered into an agreement (the "Original Shared Services Agreement") with AGH in relation to office space and support services, customer service support, business intelligence services, maintenance service for the Yulebao database, office system and support services, procurement function support services and SMS platform services (collectively, the "Original Shared Services") to be provided by AGH and its affiliates or other parties otherwise designated by AGH to support the Group's Business. The initial term for the Original Shared Services Agreement was three years commenced from December 31, 2015 and ended on December 30, 2018.

On December 31, 2015, the Company entered into a transitional arrangement agreement (the "Transitional Arrangement Agreement") with AGH. Pursuant to the Transitional Arrangement Agreement, AGH agreed to transfer certain transferred employees to the Company or its affiliates (the "Staff Support Services"), and the Company also agreed to reimburse AGH for salaries and benefits paid by AGH (or its affiliates) to such transferred employees. The maximum term for the Transitional Arrangement Agreement was three years commenced from December 31, 2015 and ended on December 30, 2018.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(2) *Renewed Shared Services Agreement and Second Renewal of the Shared Services Agreement* *(Continued)*

On December 31, 2018, the Company entered into a renewed shared services agreement (the "Renewed Shared Services Agreement") with AGH, pursuant to which AGH agreed to procure the service providers (being AGH and its affiliates as set out under the Original Shared Services Agreement or otherwise designated by AGH) to provide certain Original Shared Services, cloud services, software development and technological services, as well as Staff Support Services under the Transitional Arrangement Agreement to the Company and its affiliates. The Renewed Shared Services Agreement had a term commenced from December 31, 2018 and ended on March 31, 2021. The annual caps of the service fees (inclusive of any applicable tax) paid/payable by the Group to AGH and its affiliates under the Renewed Shared Services Agreement for the period from December 31, 2018 to March 31, 2019 and for the financial years ended March 31, 2020 and March 31, 2021 were RMB14,000,000, RMB59,000,000 and RMB65,000,000, respectively. In light of the growth of the business and the needs for future expansion of the Group, the Company and AGH entered into a supplemental agreement (the "First Supplemental Agreement") on September 20, 2019 to revise the existing annual caps of the service fees (inclusive of any applicable tax) payable by the Group under the Renewed Shared Services Agreement for the two financial years ended March 31, 2020 and March 31, 2021 to RMB76,000,000 and RMB87,000,000, respectively.

On March 30, 2020, the Company and AGH entered into a second supplemental agreement (the "Second Supplemental Agreement") to the Renewed Shared Services Agreement (as supplemented and amended by the First Supplemental Agreement), pursuant to which (i) the scope of the software development and technological services under the Renewed Shared Services Agreement (as supplemented and amended by the First Supplemental Agreement) was expanded to cover the services contemplated under the Renewed Technology Services Agreement, and (ii) the revised annual cap (inclusive of any applicable tax) of RMB87,000,000 for the transactions contemplated under the Renewed Shared Services Agreement (as supplemented and amended by the First Supplemental Agreement) for the financial year ended March 31, 2021 was adjusted to RMB105,000,000 accordingly.

The actual service fees paid/payable by the Group to AGH and its affiliates for the services under the Renewed Shared Services Agreement (as supplemented and amended by the First Supplemental Agreement and the Second Supplemental Agreement) for the period from December 31, 2018 to March 31, 2019 and for the financial years ended March 31, 2020 and March 31, 2021 amounted to approximately RMB13,137,000, RMB71,396,000 and RMB91,621,000, respectively.

On March 29, 2021, the Company and AGH entered into the second renewal of the shared services agreement (the "Second Renewal of the Shared Services Agreement") to renew the Renewed Shared Services Agreement (as supplemented and amended by the First Supplemental Agreement and the Second Supplemental Agreement) for a term of three years commenced from April 1, 2021 and ending on March 31, 2024. The annual caps for the service fees payable by the Group to AGH and its affiliates under the Second Renewal of the Shared Services Agreement for the financial years ending March 31, 2022, March 31, 2023 and March 31, 2024 are RMB105,000,000, RMB110,000,000 and RMB115,000,000, respectively.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(3) Operating Service Agreement and Renewed Operating Service Agreement

On May 11, 2018, Shouquanbao, a consolidated subsidiary of the Company, entered into an operating service agreement (the "Operating Service Agreement") with Tmall Network, a consolidated entity of AGH, and Tmall Technology, an indirect wholly-owned subsidiary of AGH (together, the "Tmall Entities"), for a term commenced from May 11, 2018 and ended on March 31, 2021. Pursuant to the Operating Service Agreement, Shouquanbao shall provide Tmall Entities with such services as necessary for operations in relation to relevant categories (including action figures, film & TV & entertainment merchandise, board & card games, cosplay, etc.), such as customer services, marketing services, merchant evaluation and quality control of merchandise (collectively, the "Operating Services"). The annual caps of the transactions contemplated under the Operating Service Agreement for the financial years ended March 31, 2019, March 31, 2020 and March 31, 2021 were RMB47,500,000, RMB70,000,000 and RMB98,000,000, respectively. The actual service fees payable by Tmall Entities to Shouquanbao under the Operating Service Agreement for the financial years ended March 31, 2019, March 31, 2020 and March 31, 2021 amounted to approximately RMB33,456,000, RMB52,628,000 and RMB68,367,000, respectively.

On April 1, 2021, 中聯盛世文化(北京)有限公司 (Zhonglian Shengshi Culture (Beijing) Co., Ltd.*) ("Zhonglian Shengshi"), an indirect wholly-owned subsidiary of the Company, entered into a renewed operating service agreement (the "Renewed Operating Service Agreement") with the Tmall Entities, for a term commenced from April 1, 2021 and ending on March 31, 2024. Pursuant to the Renewed Operating Service Agreement, Zhonglian Shengshi will provide Tmall Entities with the Operating Services. The annual caps for the transactions contemplated under the Renewed Operating Service Agreement for the three financial years ending March 31, 2022, March 31, 2023 and March 31, 2024 are RMB100,000,000, RMB120,000,000 and RMB140,000,000, respectively.

(4) Sublease Agreements and Renewed Sublease Agreements

On August 30, 2018 (Pacific Time), Alibaba Pictures LLC ("Alibaba Pictures LLC"), an indirect wholly-owned subsidiary of the Company, as sublandlord, entered into a sublease agreement (the "Sublease Agreement I") with Alibaba US, as subtenant, for a term commenced from (i) September 1, 2018; (ii) the date upon which Alibaba Pictures LLC delivers possession of a portion (with a rentable area of approximately 10,614 square feet) of the master lease premises (the "Subleased Premises I") to Alibaba US; or (iii) the date upon which Alibaba Pictures LLC procures the landlord's consent to the entering into of the Sublease Agreement I, whichever is latest, and ended on March 31, 2021. Pursuant to the Sublease Agreement I, Alibaba Pictures LLC agreed to sublease to Alibaba US the Subleased Premises I and additional work stations located in the sublandlord area (where required).

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(4) *Sublease Agreements and Renewed Sublease Agreements* *(Continued)*

On August 16, 2018 (Pacific Time), Alibaba Pictures LLC, as sublandlord, entered into a sublease agreement (the "Sublease Agreement II") with Wavelets, as subtenant, for a term commenced from (i) August 16, 2018 (Pacific Time); (ii) the date upon which Alibaba Pictures LLC delivers possession of a portion (with a rentable area of approximately 795.41 square feet) of the master lease premises (the "Subleased Premises II") to Wavelets; or (iii) the date upon which Alibaba Pictures LLC procures the landlord's consent to the entering into of the Sublease Agreement II, whichever is latest, and ended on March 31, 2021. Pursuant to the Sublease Agreement II, Alibaba Pictures LLC agreed to sublease to Wavelets the Subleased Premises II and additional work stations located in the creative room in the sublandlord area (where required).

For the financial years ended March 31, 2019, March 31, 2020 and March 31, 2021, the annual caps of the rent for the Subleased Premises I ("Base Rent I") under the Sublease Agreement I were US$300,312.52, US$525,626.51 and US$541,377.68, respectively; and the annual caps of the rent for the additional work stations located in the sublandlord area ("Additional Rent") under the Sublease Agreement I were US$100,000, US$100,000 and US$100,000, respectively. The actual rents (including Base Rent I and Additional Rent) incurred under the Sublease Agreement I for the financial years ended March 31, 2019, March 31, 2020 and March 31, 2021 amounted to approximately US$373,000, US$612,658.11 and US$640,909.04, respectively.

For the financial years ended March 31, 2019, March 31, 2020 and March 31, 2021, the annual caps of the rent for the Subleased Premises II ("Base Rent II") under the Sublease Agreement II were US$23,723.69, US$39,390.29 and US$40,570.68, respectively; and the annual caps of the Additional Rent under the Sublease Agreement II were fixed at US$33,213.17, US$55,146.41 and US$56,798.96, respectively. The actual rents (including Base Rent II and Additional Rent) incurred under the Sublease Agreement II for the financial years ended March 31, 2019, March 31, 2020 and March 31, 2021 amounted to approximately US$24,000, US$52,518.40 and US$90,336.33, respectively.

On March 24, 2021 (Pacific Time), Alibaba Pictures LLC entered into a renewed sublease agreement (the "Renewed Sublease Agreement I") with Alibaba US, for a term commenced from April 1, 2021 and ending on March 31, 2024. Pursuant to the Renewed Sublease Agreement I, Alibaba Pictures LLC agreed to sublease to Alibaba US a portion of the master lease premises which may vary in size from time to time. The annual caps of the rent (including the additional fees, such as the share of costs related to administrative and office supplies) under the Renewed Sublease Agreement I for the three financial years ending March 31, 2022, March 31, 2023 and March 31, 2024 are US$750,000, US$850,000 and US$950,000, respectively.

On March 24, 2021 (Pacific Time), Alibaba Pictures LLC entered into a renewed sublease agreement (the "Renewed Sublease Agreement II") with Wavelets, for a term commenced from April 1, 2021 and ending on March 31, 2022 to renew the Sublease Agreement II. The annual cap of the rent (including Additional Rent and additional fees (such as the share of the operating costs and the real estate taxes)) under the Renewed Sublease Agreement II for the financial year ending March 31, 2022 is US$105,103.20.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(5) *Third Renewed Payment Services Framework Agreement*

On March 26, 2020, the Company (for itself and on behalf of its subsidiaries) entered into a third renewed payment services framework agreement (the "Third Renewed Payment Services Framework Agreement") with Alipay, a wholly-owned subsidiary of Ant Group, which in turn is a 30%-controlled company of AGH, for a term commenced from April 1, 2020 and ending on March 31, 2023. Pursuant to the Third Renewed Payment Services Framework Agreement, any member of the Group may request payment services from Alipay from time to time and in its absolute discretion according to its business needs. The annual caps of all payment services under the Third Renewed Payment Services Framework Agreement for the financial years ended/ending March 31, 2021, March 31, 2022 and March 31, 2023 are RMB80,000,000, RMB85,000,000 and RMB90,000,000, respectively. The actual transaction amount of all payment services under the Third Renewed Payment Services Framework Agreement for the financial year ended March 31, 2021 amounted to approximately RMB36,165,000.

(6) *Second Renewed Marketing Cooperation Framework Agreement*

On March 27, 2020, 北京中聯華盟文化傳媒投資有限公司 (Beijing Asian Union Culture Media Investment Co., Ltd.*) ("Beijing Asian Union"), a consolidated subsidiary of the Company, entered into the second renewed marketing cooperation framework agreement (the "Second Renewed Marketing Cooperation Framework Agreement") with Alimama and Youku Tudou, both subsidiaries of AGH, for a term commenced from April 1, 2020 and ending on March 31, 2023. Pursuant to the Second Renewed Marketing Cooperation Framework Agreement, Beijing Asian Union (for itself and as agent for and on behalf of its clients) may enter into specific marketing agreements with Alimama and/or Youku Tudou to procure online and offline advertising and relevant services from Alimama and/or Youku Tudou at agreed discount rates. The annual caps of all services under the Second Renewed Marketing Cooperation Framework Agreement for the financial years ended/ending March 31, 2021, March 31, 2022 and March 31, 2023 are RMB15,000,000, RMB20,000,000 and RMB25,000,000, respectively. The actual transaction amount of all services under the Second Renewed Marketing Cooperation Framework Agreement for the financial year ended March 31, 2021 amounted to approximately RMB4,003,000.

(7) *Content Marketing Services Framework Agreement*

On March 24, 2020, Cool Young, a consolidated subsidiary of the Company, entered into a content marketing services framework agreement (the "Content Marketing Services Framework Agreement") with Youku Tudou, for a term commenced from March 25, 2020 and ended on September 30, 2020. Pursuant to Content Marketing Services Framework Agreement, Cool Young (as agent for and on behalf of its clients) may procure the online advertising and relevant services from Youku Tudou at a total consideration of no more than RMB800,000. The actual consideration for procuring the online advertising and relevant services from Youku Tudou by Cool Young (as agent for and on behalf of its clients) under the Content Marketing Services Framework Agreement for the period from March 25, 2020 to March 31, 2020 and for the period from April 1, 2020 to September 30, 2020 amounted to approximately RMB63,000 and RMB691,000, respectively.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(8) Entertainment Works Cooperation Framework Agreement

On March 31, 2020, Shouquanbao, a consolidated subsidiary of the Company, entered into a new entertainment works cooperation framework agreement (the "Entertainment Works Cooperation Framework Agreement") with AGH. The cooperation term of the Entertainment Works Cooperation Framework Agreement commenced from April 1, 2020 and will end on March 31, 2023. Pursuant to the Entertainment Works Cooperation Framework Agreement, Shouquanbao or any of its affiliates and AGH or any of its affiliates may enter into specific agreements with respect to the grant or transfer of the rights, design or marketing, IP-derivatives commissioned production, IP-derivatives procurement and consignment, embedded advertising and agency services, project outsourcing services, ticketing services, investment cooperation, operation consignment services, technical and other related services for the entertainment works. For the three financial years ended/ending March 31, 2021, March 31, 2022 and March 31, 2023, the annual caps of the total fees payable by Shouquanbao and/or its affiliates to AGH and its affiliates with respect to the transactions contemplated under the Entertainment Works Cooperation Framework Agreement are RMB45,000,000, RMB55,000,000 and RMB65,000,000, respectively; and the annual caps of the total fees payable by AGH and its affiliates to Shouquanbao and/or its affiliates with respect to the transactions contemplated under the Entertainment Works Cooperation Framework Agreement are RMB34,000,000, RMB45,000,000 and RMB55,000,000, respectively.

For the financial year ended March 31, 2021, the actual total fees paid/payable by Shouquanbao and/or its affiliates to AGH and its affiliates with respect to the transactions under the Entertainment Works Cooperation Framework Agreement amounted to approximately RMB15,096,000; and the actual total fees paid/payable by AGH and its affiliates to Shouquanbao and/or its affiliates with respect to the transactions under the Entertainment Works Cooperation Framework Agreement amounted to approximately RMB9,217,000.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(9) Talent Agency Cooperation Framework Agreement

On April 11, 2019, Cool Young, a consolidated subsidiary of the Company, entered into a talent agency cooperation framework agreement (the "Talent Agency Cooperation Framework Agreement") with AGH in relation to talent agency cooperation, for a term commenced from April 1, 2019 and ending on March 31, 2022. Pursuant to the Talent Agency Cooperation Framework Agreement, Cool Young and AGH or any of its affiliates will enter into specific agreements with respect to the cooperation whereby (i) AGH or any of its affiliates directly engages Cool Young's artist(s) by paying the engagement fees to Cool Young and (ii) AGH or any of its affiliates recommends to, and coordinates with a third-party client to engage Cool Young's artist(s), and receives the agency service fees from Cool Young.

For the three financial years ended/ending March 31, 2020, March 31, 2021 and March 31,2022, the annual caps of the engagement fees payable by AGH and any of its affiliates to Cool Young under the Talent Agency Cooperation Framework Agreement are RMB35,000,000, RMB55,000,000 and RMB75,000,000, respectively; and the annual caps of the agency service fees payable by Cool Young to AGH and any of its affiliates under the Talent Agency Cooperation Framework Agreement are RMB2,000,000, RMB3,000,000 and RMB4,500,000, respectively. For the financial years ended March 31, 2020 and March 31, 2021, the actual engagement fees paid/payable by AGH and any of its affiliates to Cool Young under the Talent Agency Cooperation Framework Agreement amounted to approximately RMB13,042,000 and RMB29,993,000, respectively; and the actual agency service fees paid/payable by Cool Young to AGH and any of its affiliates under the Talent Agency Cooperation Framework Agreement were nil.

(10) Commercial Development Services Agreement

On April 12, 2019, 上海淘票票影視文化有限公司 (Shanghai Tao Piao Piao Movie & TV Culture Co., Ltd.*) ("Shanghai TPP"), a consolidated subsidiary of the Company, entered into a commercial development services agreement (the "Commercial Development Services Agreement") with Youku Information, a consolidated entity of AGH, for a term commenced from April 1, 2019 and ending on March 31, 2022. Pursuant to the Commercial Development Services Agreement, Shanghai TPP agreed to provide, and Youku Information agreed to use, the services in relation to the commercial development of the original entertainment programs. The annual caps of the service fees under the Commercial Development Services Agreement for each of the three financial years ended/ending March 31, 2020, March 31, 2021 and March 31, 2022 are RMB80,000,000. The actual service fees paid/payable by Youku Information to Shanghai TPP under the Commercial Development Services Agreement for the financial years ended March 31, 2020 and March 31, 2021 amounted to approximately RMB34,936,000 and RMB40,993,000, respectively.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(11) *Electronic Voucher Codes Procurement Framework Agreement I*

On May 22, 2019, 杭州晨熹多媒體科技有限公司 (Hangzhou Aurora Multi-Media Technology Co., Ltd.*) (now known as 杭州淘票票影視文化有限公司 (Hangzhou Tao Piao Piao Movie & TV Culture Co. Ltd.*), "Hangzhou TPP"), an indirect non-wholly-owned subsidiary of the Company, and AGH (for itself and on behalf of its affiliates) entered into a procurement framework agreement (the "Electronic Voucher Codes Procurement Framework Agreement I"), for a term commenced from April 1, 2019 and ending on March 31, 2022. Pursuant to the Electronic Voucher Codes Procurement Framework Agreement I, AGH or any of its affiliates may enter into specific procurement agreements with Hangzhou TPP to procure the pre-sale codes which could be used to redeem electronic movie tickets and/or the cash vouchers which can be used to set off against the price of electronic movie tickets (collectively, the "Electronic Voucher Codes") from Hangzhou TPP.

The annual caps in respect of the sale of the Electronic Voucher Codes under the Electronic Voucher Codes Procurement Framework Agreement I for the three financial years ended/ending March 31, 2020, March 31, 2021 and March 31, 2022 are RMB12,000,000 (including the total consideration of RMB60,000 under the two prior specific procurement agreements), RMB15,000,000 and RMB18,000,000, respectively. The actual purchase amounts paid/payable by AGH and its affiliates to Hangzhou TPP under the Electronic Voucher Codes Procurement Framework Agreement I for the financial years ended March 31, 2020 and March 31, 2021 amounted to approximately RMB3,190,000 (including the total consideration of RMB60,000 under the two prior specific procurement agreements) and RMB9,351,000, respectively.

(12) *Movie and Drama Series Cooperation Framework Agreement*

On August 6, 2019, 華盟(天津)文化傳媒有限公司(Huameng (Tianjin) Culture Media Co., Ltd.*) (now known as 阿里巴巴影業(天津)有限公司(Alibaba Pictures (Tianjin) Co., Ltd.*) ("Alibaba Pictures (Tianjin)")), a consolidated subsidiary of the Company, entered into a framework agreement (the "Movie and Drama Series Cooperation Framework Agreement") with Youku Technology, an indirect subsidiary of AGH, for a term commenced from the effective date of the Movie and Drama Series Cooperation Framework Agreement and ending on March 31, 2022. Pursuant to the Movie and Drama Series Cooperation Framework Agreement, Alibaba Pictures (Tianjin) and/or any of its affiliates may transfer to Youku Technology and/or any of its affiliates, and/or grant Youku Technology and/or any of its affiliates a license to use, all or part of its copyrights on the target films, TV dramas and online dramas (the "Movie and Drama Series"); Youku Technology and/or any of its affiliates may entrust Alibaba Pictures (Tianjin) and/or any of its affiliates to provide other commercial development services, being the provision of the advertisement solicitation services and the commercial development solicitation services, and the distribution services for the TV broadcasting rights with respect to films, TV dramas and online dramas. The annual cap of the aggregate amount of the copyright fees, commercial development fees and distribution agency fees chargeable by Alibaba Pictures (Tianjin) and/or any of its affiliates to Youku Technology and/or any of its affiliates for the transactions contemplated under the Movie and Drama Series Cooperation Framework Agreement for each of the three financial years ended/ending March 31, 2020, March 31, 2021 and March 31, 2022 is RMB600,000,000.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(12) *Movie and Drama Series Cooperation Framework Agreement* *(Continued)*

On December 1, 2020, Alibaba Pictures (Tianjin) and Youku Technology entered into a supplemental agreement (the "Supplemental Agreement I") (i) to extend the term of the Movie and Drama Series Cooperation Framework Agreement to March 31, 2023; and (ii) to revise certain terms of the Movie and Drama Series Cooperation Framework Agreement relating to the maximum lengths of the target dramas and movies to be purchased by Youku Technology and/or any of its affiliates and the pricing bases of the purchase price for the target dramas. Accordingly, the Board proposed to revise the annual caps for the two financial years ended/ending March 31, 2021 and 2022 from RMB600,000,000 to RMB850,000,000 and from RMB600,000,000 to RMB900,000,000, respectively and to set an annual cap for the financial year ending March 31, 2023 at RMB950,000,000 (the "New Annual Cap").

The Supplemental Agreement I, the transactions contemplated thereunder and the above-mentioned revised annual caps and the New Annual Cap were approved, confirmed and ratified by the independent shareholders of the Company at the special general meeting held on February 5, 2021. The actual aggregate amount of copyright fees, commercial development fees and distribution agency fees chargeable by Alibaba Pictures (Tianjin) and/or any of its affiliates to Youku Technology and/or any of its affiliates for the transactions contemplated under the Movie and Drama Series Cooperation Framework Agreement (as supplemented and amended by the Supplemental Agreement I) for the financial years ended March 31, 2020 and March 31, 2021 amounted to approximately RMB18,102,000 and RMB548,409,000, respectively.

(13) *Copyrights Procurement Framework Agreement*

On December 6, 2019, Alibaba Pictures (Tianjin), a consolidated subsidiary of the Company, entered into a copyrights procurement framework agreement (the "Copyrights Procurement Framework Agreement") with Youku Technology, an indirect subsidiary of AGH, for a term commenced from December 6, 2019 and ending on March 31, 2022. Pursuant to the Copyrights Procurement Framework Agreement, the parties agreed that Youku Technology and/or any of its affiliates may transfer to Alibaba Pictures (Tianjin) and/or any of its affiliates, and/or grant Alibaba Pictures (Tianjin) and/or any of its affiliates a license to use, all or part of its copyrights on the written works, cartoons, films, TV dramas and online dramas, musical works and any other works, etc. (the "Copyrights on the Target Works") for the production of films and dramas, promotion and distribution and other businesses of Alibaba Pictures (Tianjin) and/or any of its affiliates. The annual caps in respect of the procurement of the Copyrights on the Target Works by Alibaba Pictures (Tianjin) and/or any of its affiliates from Youku Technology and/or any of its affiliates under the Copyrights Procurement Framework Agreement for the three financial years ended/ending March 31, 2020, March 31, 2021 and March 31, 2022 are RMB35,000,000, RMB60,000,000 and RMB60,000,000, respectively. The actual transaction amounts in respect of the procurement of the Copyrights on the Target Works by Alibaba Pictures (Tianjin) and/or any of its affiliates from Youku Technology and/or any of its affiliates under the Copyrights Procurement Framework Agreement for the financial years ended March 31, 2020 and March 31, 2021 were RMB5,755,000 and nil, respectively.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(14) Electronic Voucher Codes Procurement Framework Agreement II

On January 21, 2020, Hangzhou TPP, an indirect non-wholly-owned subsidiary of the Company, and Ant Group, a 30%-controlled company of AGH, for itself and on behalf of its subsidiaries, entered into a procurement framework agreement (the "Electronic Voucher Codes Procurement Framework Agreement II"), for a term commenced from January 21, 2020 and ending on March 31, 2022. Pursuant to the Electronic Voucher Codes Procurement Framework Agreement II, Hangzhou TPP may enter into specific procurement agreements with Ant Group or any of its subsidiaries to sell the Electronic Voucher Codes to Ant Group or any of its subsidiaries.

The annual caps in respect of the sale of the Electronic Voucher Codes under the Electronic Voucher Codes Procurement Framework Agreement II for the three financial years ended/ending March 31, 2020, March 31, 2021 and March 31, 2022 are RMB10,000,000, RMB25,000,000 and RMB35,000,000, respectively. The actual purchase amounts paid/payable by Ant Group or any of its subsidiaries to Hangzhou TPP under the Electronic Voucher Codes Procurement Framework Agreement II for the financial years ended March 31, 2020 and March 31, 2021 were approximately RMB292,000 and nil, respectively.

(15) Advertising Services Cooperation Framework Agreement

On March 26, 2020, Shanghai TPP, a consolidated subsidiary of the Company, entered into an advertising services cooperation framework agreement (the "Advertising Services Cooperation Framework Agreement") with Youku Tudou, a consolidated entity of AGH, for a term commenced from April 1, 2020 and ended on March 31, 2021. Pursuant to the Advertising Services Cooperation Framework Agreement, Youku Tudou agreed to procure its or its affiliates' clients to use, and Shanghai TPP agreed to provide, the advertising resources and services to promote the products or services of the clients of Youku Tudou or its affiliates on the ticketing platforms and channels operated by Shanghai TPP or its affiliates. The annual cap in respect of the transactions contemplated under the Advertising Services Cooperation Framework Agreement for the financial year ended March 31, 2021 was RMB30,000,000. The actual transaction amount paid/payable by Youku Tudou to Shanghai TPP under the Advertising Services Cooperation Framework Agreement for the financial year ended March 31, 2021 amounted to approximately RMB9,302,000.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(16) *Marketing and Promotion Services Framework Agreement I and Prior Advertising Services Agreements*

On August 21, 2020, Beijing Asian Union and 北京淘秀新媒體科技有限公司(Beijing Taoxiu New Media Technology Co., Ltd.*) ("Beijing Taoxiu"), each a consolidated subsidiary of the Company, entered into the marketing and promotion services framework agreement (the "Marketing and Promotion Services Framework Agreement I") with Youku Information (a consolidated entity of AGH) and Cool Young (a 30%-controlled company indirectly held by AGH), for a term commenced from August 21, 2020 and ending on March 31, 2022. Pursuant to the Marketing and Promotion Services Framework Agreement I, Beijing Asian Union and/or Beijing Taoxiu and/or any of their affiliates may enter into specific cooperation agreements with Youku Information and/or Cool Young and/or any of their affiliates in respect of any of the services such as marketing and promotion services, marketing consultancy services, commercial development of audiovisual works, platform content cooperation, production of short-form videos and operation of artists' official accounts. For the financial years ended/ending on March 31, 2021 and March 31, 2022, (i) the annual caps for the total fees payable by Youku Information and/or Cool Young and/or any of their affiliates to Beijing Asian Union and/or Beijing Taoxiu and/or any of their affiliates with respect to the transactions contemplated under the Marketing and Promotion Services Framework Agreement I are RMB8,000,000 and RMB15,000,000, respectively; (ii) the annual caps for the total fees payable by Beijing Asian Union and/or Beijing Taoxiu and/or any of their affiliates to Youku Information and/or Cool Young and/or any of their affiliates with respect to the transactions contemplated under the Marketing and Promotion Services Framework Agreement I are RMB8,000,000 and RMB15,000,000, respectively.

On November 25, 2020, Beijing Asian Union and Beijing Taoxiu entered into a supplemental agreement (the "Supplemental Agreement II") with Youku Information and Cool Young to supplement and expand the scope of relevant transactions contemplated under the Marketing and Promotion Services Framework Agreement I. In light of the expanded scope of transactions contemplated under the Marketing and Promotion Services Framework Agreement I (as supplemented by the Supplemental Agreement II), the annual caps for the total fees payable by Youku Information and/or Cool Young and/or any of their affiliates to Beijing Asian Union and/or Beijing Taoxiu and/or any of their affiliates for the transactions contemplated under the Marketing and Promotion Services Framework Agreement I (as supplemented by the Supplemental Agreement II) were adjusted to RMB43,000,000 and RMB65,000,000 for the financial years ended/ending on March 31, 2021 and March 31, 2022, respectively.

For the financial year ended March 31, 2021, (i) the actual total fees payable by Youku Information and/or Cool Young and/or any of their affiliates to Beijing Asian Union and/or Beijing Taoxiu and/or any of their affiliates with respect to the Marketing and Promotion Services Framework Agreement I amounted to approximately RMB25,335,000; and (ii) the actual total fees payable by Beijing Asian Union and/or Beijing Taoxiu and/or any of their affiliates to Youku Information and/or Cool Young and/or any of their affiliates with respect to the Marketing and Promotion Services Framework Agreement I was nil.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(16) *Marketing and Promotion Services Framework Agreement I and Prior Advertising Services Agreements* *(Continued)*

On May 14, 2020, Beijing Pony Media, a consolidated entity of AGH, and Beijing Taoxiu entered into an advertising services agreement (the "Advertising Services Agreement I"), whereby Beijing Taoxiu agreed to provide Beijing Pony Media with new media channel advertising services during the period from May 7, 2020 to June 7, 2020. The total actual service fees paid by Beijing Pony Media to Beijing Taoxiu under the Advertising Services Agreement I was approximately RMB209,717.

On June 5, 2020, UC Mobile, an indirect wholly-owned subsidiary of AGH, and Beijing Taoxiu entered into an advertising services agreement (the "Advertising Services Agreement II"), whereby Beijing Taoxiu agreed to provide UC Mobile with new media channel advertising services during the period from May 1, 2020 to June 30, 2020. The total actual service fees paid by UC Mobile to Beijing Taoxiu under the Advertising Services Agreement II was approximately RMB12,840.

On June 19, 2020, Youku Information, Beijing Taoxiu and Beijing Asian Union entered into an advertising services agreement (the "Advertising Services Agreement III"), whereby Beijing Taoxiu and Beijing Asian Union agreed to provide Youku Information with new media channel advertising services during the period from June 22, 2020 to July 10, 2020. The total actual service fees paid by Youku Information to Beijing Taoxiu and Beijing Asian Union under the Advertising Services Agreement III was approximately RMB250,000.

On July 29, 2020, Beijing Pony Media and Beijing Taoxiu entered into an advertising services agreement (the "Advertising Services Agreement IV"), whereby Beijing Taoxiu agreed to provide Beijing Pony Media with new media channel advertising services during the period from July 31, 2020 to August 26, 2020. The contractual amount of the service fees payable by Beijing Pony Media to Beijing Taoxiu under the Advertising Services Agreement IV was RMB100,000 (tax inclusive).

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(17) Variety Shows Cooperation Framework Agreement

On September 2, 2020, the Company and Youku Information, a consolidated entity of AGH, entered into a variety shows cooperation framework agreement (the "Variety Shows Cooperation Framework Agreement"), for a term commenced from September 2, 2020 and ending on March 31, 2023. Pursuant to the Variety Shows Cooperation Framework Agreement, the Company and/or any of its affiliates and Youku Information and/or any of its affiliates may enter into specific cooperation agreements with respect to the cooperation in joint investment, commissioned production, joint investment and production, procurement of copyrights, commercial development, engagement of artists, advertising services cooperation, distribution of TV broadcasting rights and information online dissemination rights, and IP commercialization cooperation etc. in relation to variety shows, children's shows and/or movies and dramas.

For the three financial years ended/ending March 31, 2021, March 31, 2022 and March 31, 2023, (i) the annual caps for the aggregate sum of the total investment amount to be made by the Company and/or its affiliates and the total fees payable by the Company and/or its affiliates to Youku Information and/or its affiliates under the Variety Shows Cooperation Framework Agreement are RMB10,000,000, RMB12,000,000 and RMB18,000,000, respectively; (ii) the annual caps for the total fees payable by Youku Information and/or its affiliates to the Company and/or its affiliates with respect to the transactions contemplated under the Variety Shows Cooperation Framework Agreement are RMB40,000,000, RMB50,000,000 and RMB60,000,000, respectively.

For the financial year ended March 31, 2021, (i) the aggregate sum of the total actual investment amount to be made by the Company and/or its affiliates and the total actual fees payable by the Company and/or its affiliates to Youku Information and/or its affiliates under the Variety Shows Cooperation Framework Agreement was nil; (ii) the total actual fees payable by Youku Information and/or its affiliates to the Company and/or its affiliates with respect to the transactions contemplated under the Variety Shows Cooperation Framework Agreement amounted to approximately RMB2,090,000.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(18) *Marketing & Promotion Services Framework Agreement II, Promotion Services Agreement and Blockchain Marketing Technology Services Agreement*

On January 15, 2021, Hangzhou TPP, an indirect non-wholly-owned subsidiary of the Company, and Alipay (Hangzhou), a wholly-owned subsidiary of Ant Group, entered into a marketing & promotion services framework agreement (the "Marketing & Promotion Services Framework Agreement II"), for a term commenced from January 15, 2021 and ending on March 31, 2022. Pursuant to the Marketing & Promotion Services Framework Agreement II, Hangzhou TPP and/or any of its affiliates and Alipay (Hangzhou) and/or any of its affiliates may enter into specific agreements to provide the marketing & promotion services to each other through certain promotion services products and channels. For the two financial years ended/ending March 31, 2021 and March 31, 2022, (i) the annual caps of the service fees payable by Hangzhou TPP and/or any of its affiliates to Alipay (Hangzhou) and/or any of its affiliates under the Marketing & Promotion Services Framework Agreement II are RMB3,500,000 and RMB10,000,000, respectively; (ii) the annual caps of the service fees payable by Alipay (Hangzhou) and/or any of its affiliates to Hangzhou TPP and/or any of its affiliates under the Marketing & Promotion Services Framework Agreement II are RMB10,000,000 and RMB15,000,000, respectively.

For the financial year ended March 31, 2021, the total actual service fees payable by Hangzhou TPP and/or any of its affiliates to Alipay (Hangzhou) and/or any of its affiliates under the Marketing & Promotion Services Framework Agreement II was approximately RMB922,000; the total actual service fees payable by Alipay (Hangzhou) and/or any of its affiliates to Hangzhou TPP and/or any of its affiliates under the Marketing & Promotion Services Framework Agreement II was nil.

On November 30, 2020, Hangzhou TPP and Alipay (Hangzhou) entered into a promotion services agreement (the "Promotion Services Agreement"). Pursuant to the Promotion Services Agreement, Hangzhou TPP agreed to provide to Alipay (Hangzhou) marketing planning and promotional services, including formulating offline promotional strategies for cinemas, promotional materials design, production and publication and other related services for a certain event, from December 1, 2020 to December 31, 2020 for a service fee of RMB200,000 (tax inclusive).

On November 20, 2020, Beijing Asian Union, a consolidated subsidiary of the Company, and Ant Rongxin, an indirect wholly-owned subsidiary of Ant Group, entered into a blockchain marketing technology services agreement (the "Blockchain Marketing Technology Services Agreement"). Pursuant to the Blockchain Marketing Technology Services Agreement, Ant Rongxin agreed to provide to Beijing Asian Union blockchain marketing technical services through Fansli to promote the movie "Soul Snatcher" (赤狐書生) for 90 days commenced from November 21, 2020, subject to a service fee of RMB400,000 (tax inclusive).

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(19) Advertising Services and IP Commercialization Cooperation Framework Agreement

On March 26, 2021, 上海阿里巴巴影業有限公司(Shanghai Alibaba Pictures Co., Ltd.*) ("Shanghai Alibaba Pictures"), a consolidated subsidiary of the Company, entered into an advertising services and IP commercialization cooperation framework agreement (the "Advertising Services and IP Commercialization Cooperation Framework Agreement") with Youku Tudou, a consolidated entity of AGH, for a term commenced from April 1, 2021 and ending on March 31, 2023. Pursuant to the Advertising Services and IP Commercialization Cooperation Framework Agreement, both parties agreed that Shanghai Alibaba Pictures and/or any of its affiliates will (1) authorize Youku Tudou and/or any of its affiliates to use IP rights of Shanghai Alibaba Pictures' and/or any of its affiliates' audiovisual works on a non-exclusive basis for IP commercialization; and (2) exclusively provide the advertising services to Youku Tudou and/or any of its affiliates.

The annual caps for the total fees receivable by Shanghai Alibaba Pictures and its affiliates from Youku Tudou and/or its affiliates for the IP commercialization cooperation and the provision of the advertising services contemplated under the Advertising Services and IP Commercialization Cooperation Framework Agreement for the financial years ending March 31, 2022 and 2023 are RMB41,000,000 and RMB46,000,000 respectively.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

The independent non-executive Directors have reviewed all of the above non-exempt continuing connected transactions, and confirmed that the above non-exempt continuing connected transactions have been entered into:

- in the ordinary and usual course of the Group's business;
- on normal or better commercial terms; and
- according to the relevant agreement governing them, on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's independent auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The independent auditor has issued the letter containing their findings and conclusions in respect of the continuing connected transactions of the Company disclosed in this annual report in accordance with Rule 14A.56 of the Listing Rules.

The independent auditor's letter has confirmed that nothing has come to their attention that has caused them to believe that such continuing connected transactions:

(i) have not been approved by the Board;

(ii) for the transactions involving the provision of goods or services by the Group, were not, in all material respects, in accordance with the pricing policies of the Group;

(iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the continuing connected transactions; and

(iv) with respect to the aggregate amount of each of the aforesaid continuing connected transactions, have exceeded their respective annual caps set by the Company.

In respect of the continuing connected transactions, the Company has followed the policies and guidelines as laid down in the guidance letter HKEX-GL73-14 issued by the Stock Exchange when determining the price and terms of the transactions conducted during the financial year ended March 31, 2021.

Save as disclosed above, all other related party transactions entered into by the Group which also constituted connected transactions (including continuing connected transactions), but were exempt from annual review and disclosure requirements under Chapter 14A of the Listing Rules, are set out in Note 32 to the consolidated financial statements. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

* *For identification purpose only*

Note: Save as disclosed above, all actual transaction amounts as stated in the section headed "Connected Transactions" are exclusive of 6% value-added tax.

DIRECTORS' REPORT

CONTRACTUAL ARRANGEMENTS

Overview

According to the Special Administrative Measures (Negative List) for the Access of Foreign Investment (外商投資准入特別管理措施(負面清單)), Regulations relating to the Management of Foreign-Invested Telecommunications Enterprises (外商投資電信企業管理規定) and other applicable laws and regulations in the PRC, subject to limited exceptions, foreign investors are prohibited from holding equity interest in any companies that produce and distribute movies; produce and operate radio and television programs in the PRC; engage in online data and transaction processing for online movie and live events ticketing platforms; or invest in movies, television programs and entertainment businesses. Zhonglian Shengshi Culture (Beijing) Co., Ltd.* (中聯盛世文化(北京)有限公司) ("Zhonglian Shengshi") and Hangzhou Tao Piao Piao Movie & TV Culture Co., Ltd.* (杭州淘票票影視文化有限公司) (formerly known as Hangzhou Aurora Multi-Media Technology Co., Ltd.* (杭州晨熹多媒體科技有限公司)) ("Hangzhou Tao Piao Piao") (each a "Subsidiary", and collectively, the "Subsidiaries"), subsidiaries of the Company and foreign owned enterprises, are therefore not able to obtain licenses to engage in the businesses mentioned above.

As the Group does not fall under the limited exceptions under the relevant laws and regulations in the PRC, the Group currently conducts its domestic entertainment content production, distribution, and related investment businesses through (i) Zhonglian Jinghua Culture Communication (Beijing) Co., Ltd.* (中聯京華文化傳播(北京)有限公司) ("Zhonglian Jinghua"), (ii) Beijing Ali Tao Movie & TV Culture Co., Ltd.* (北京阿里淘影視文化有限公司) ("Beijing Ali Tao") and (iii) Shanghai Tao Piao Piao Movie & TV Culture Co., Ltd.* (上海淘票票影視文化有限公司) ("Shanghai Tao Piao Piao") (collectively, the "OPCOs") or their respective subsidiaries. The Group, through the Subsidiaries, has entered into a series of contracts (the "Structured Contracts") with each of the OPCOs. The Structured Contracts, through which the Company obtains control over and derives economic benefits from the OPCOs and their subsidiaries, have been narrowly tailored to achieve the Group's business objectives in movie production and distribution, radio and television programs production and operation, online data and transaction processing for online movie and live events ticketing platforms, internet information services for distributing information about investment in movies, television programs and entertainment business, and investment in movies, television programs and entertainment businesses, while minimizing the potential conflict with relevant PRC laws and regulations.

By virtue of the Structured Contracts, the financial and operating results of OPCOs and their subsidiaries have been consolidated into the Group's financial and operating results as they are regarded as indirect subsidiaries of the Group under HKFRS 10. As the OPCOs and their subsidiaries hold some key requisite PRC permits, licenses and approvals, including the permit to produce and distribute radio or television programs (廣播電視節目製作經營許可證), permit to distribute movies (電影發行經營許可證) and the value-added telecommunication business license (增值電信業務經營許可證), as well as some of our intellectual property rights, the OPCOs and their subsidiaries are significant to the Group. For the financial year ended March 31, 2021 (the "Reporting Period"), the OPCOs and their subsidiaries contributed approximately 72% of the Group's total revenue. Please refer to "Revenue and assets involved in Structured Contracts" below for more details.

DIRECTORS' REPORT

CONTRACTUAL ARRANGEMENTS *(Continued)*

Changes during the Reporting Period

During the Reporting Period, in order to further improve control over the OPCOs (being variable interest entities (the "VIE")), reduce key personnel risks associated with having certain natural persons being the registered owners of the OPCOs and address the uncertainties resulting from any potential disputes that may arise between the Group and such individual registered owners, the Group optimized the previous contractual arrangements by replacing the individual registered owners with an entity as registered owner for each of the OPCOs (the "VIE Structure Optimization").

Accordingly, the Group, through its relevant Subsidiary, entered into agreements with each of the relevant OPCOs and their then respective individual registered owners to terminate the previous contractual arrangements among the parties.

In order to remain compliant with applicable PRC laws and obtain all of the economic benefits attributable to the OPCOs and their subsidiaries, Beijing Baoxuan Yingcheng Culture Co., Ltd.* (北京寶軒影橙文化有限公司) ("Beijing Baoxuan", being the new registered owner for each of the OPCOs) has entered into the Structured Contracts, which set out the new contractual arrangements (the "New Contractual Arrangements"), with each of the OPCOs and the Group's relevant Subsidiary. Pursuant to the New Contractual Arrangements, the Group shall have effective control over the financial results and operations of the OPCOs and their subsidiaries, and will be entitled to all of the economic interests and benefits generated by the OPCOs and their subsidiaries. The Company has obtained a PRC legal opinion that the New Contractual Arrangements under the Structured Contracts do not violate any applicable PRC laws and regulations. However, the Company has also been advised that there are uncertainties regarding the interpretation and application of the currently applicable PRC laws, rules and regulations. Save as disclosed, there is no other impact on the Group resulting from the New Contractual Arrangements.

According to the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2020 version), operation of cinemas is no longer subject to the foreign investment restrictions. The Group is in the process of terminating the contractual arrangements for its cinema operation business, which is expected to be completed in 2021. Upon the termination of the aforesaid contractual arrangements, the Group will continue to carry out its cinema operation business through direct ownership.

Save as disclosed above, during the Reporting Period, there was no other material change in the Group's contractual arrangements and/or the circumstances under which they were adopted, and the regulatory restrictions that led to the adoption of the contractual arrangements by the Group continue to apply.

DIRECTORS' REPORT

CONTRACTUAL ARRANGEMENTS *(Continued)*

Particulars of the OPCOs and their Registered Owner

As at the date of this report, particulars of the OPCOs and their respective registered owner are as follows:

Name of OPCO	Registered Owner	Registered Capital	Principal Activities
Zhonglian Jinghua	100% by Beijing Baoxuan	RMB10 million	Investment holding
Beijing Ali Tao	100% by Beijing Baoxuan	RMB99 million	Investment holding
Shanghai Tao Piao Piao	100% by Beijing Baoxuan	RMB10 million	Film investment; film distribution; ticketing agency; technological consultation, technology transfer and technology services in the professional field of network technology; e-commerce

The following table sets out the subsidiaries of Zhonglian Jinghua as at the date of this report:

Name of Subsidiary	Holding Company	Ownership	Principal Activities
Zhonglian Huameng (Shanghai) Cultural Media Co., Ltd.* (中聯華盟(上海)文化傳媒有限公司)	Zhonglian Jinghua	100%	Production of broadcasting & television programs; distribution; exchanging and planning of screen-based, cultural & art events; film investment
Beijing Alibaba Pictures Culture Co., Ltd.* (北京阿里巴巴影業文化有限公司) (formerly known as Beijing Asian Union Culture Media Investment Co., Ltd.* (前稱：北京中聯華盟文化傳媒投資有限公司))	Zhonglian Jinghua	100%	Film distribution, film production; performance brokerage; production of broadcasting & television programs

DIRECTORS' REPORT

CONTRACTUAL ARRANGEMENTS *(Continued)*

Particulars of the OPCOs and their Registered Owner *(Continued)*

Name of Subsidiary	Holding Company	Ownership	Principal Activities
Beijing Silu Yunpai Technology Co., Ltd.* (北京思盧雲拍科技有限公司)	Zhonglian Jinghua	60%	Technical promotion services; computer system services; software design; design, production, agency sale and publication of advertisements
Alibaba Pictures (Tianjin) Co., Ltd.* (阿里巴巴影業(天津)有限公司)	Beijing Alibaba Pictures Culture Co., Ltd.	100%	Production of broadcasting & television programs
Alibaba Shouquanbao (Tianjin) Culture Communication Co., Ltd.* (阿里巴巴授權寶(天津)文化傳播有限公司)	Beijing Alibaba Pictures Culture Co., Ltd.	100%	Advertising and sale of entertainment related merchandise and derivative products

DIRECTORS' REPORT

CONTRACTUAL ARRANGEMENTS *(Continued)*

Particulars of the OPCOs and their Registered Owner *(Continued)*

The following table sets out the subsidiaries of Beijing Ali Tao as at the date of this report:

Name of Subsidiary	Holding Company	Ownership	Principal Activities
Zhejiang Dongyang Xiaoyuzhou Movie & Media Co., Ltd.* (浙江東陽小宇宙影視傳媒有限公司)	Beijing Ali Tao	100%	Investment in, production and distribution of film and TV copyrights
Shanghai Alibaba Pictures Co., Ltd.* (上海阿里巴巴影業有限公司)	Beijing Ali Tao	100%	Film investment, film production
Beijing Yulebao Movie & Media Co., Ltd.* (北京娛樂寶影視傳媒有限公司)	Beijing Ali Tao	100%	Investment in and production and distribution of film and TV copyrights
Zhejiang Dongyang Alibaba Pictures Co., Ltd.* (浙江東陽阿里巴巴影業有限公司)	Beijing Ali Tao	100%	Investment in and production and distribution of film and TV copyrights; investment management
Alibaba Pictures (Beijing) Co., Ltd.* (阿里巴巴影業(北京) 有限公司)	Beijing Ali Tao	100%	Investment in and production and distribution of film and TV copyrights
Tianjin Alibaba Pictures Development Co., Ltd.* (天津阿里巴巴影業發展有限公司)	Beijing Ali Tao	100%	Construction of cinemas; management and leasing of commercial facilities; engaged in advertisement business; ticketing agency; selling and leasing of audio and visual equipment, and cultural and entertainment facilities

DIRECTORS' REPORT

CONTRACTUAL ARRANGEMENTS *(Continued)*

Particulars of the OPCOs and their Registered Owner *(Continued)*

Name of Subsidiary	Holding Company	Ownership	Principal Activities
Tianjin Junsheng Pictures Management Co., Ltd.* (天津駿聲影業管理有限公司)	Tianjin Alibaba Pictures Development Co., Ltd.	100%	Construction of cinemas; management and leasing of commercial facilities; engaging in advertisement business; ticketing agency; selling and leasing of audio and visual products, and cultural and entertainment facilities
Hangzhou Xingji Media Culture Co., Ltd.* (杭州星際影視文化有限公司)	Tianjin Junsheng Pictures Management Co., Ltd.	80%	Cinema operation and management
Hangzhou Xiaoshan Xinghui Media Culture Development Co., Ltd.* (杭州蕭山星滙影視文化發展有限公司)	Hangzhou Xingji Media Culture Co., Ltd.	100%	Cinema operation and management
Shanxi Xingjihui Movie & TV Culture Co. Ltd.* (山西星際匯影視文化有限公司)	Hangzhou Xingji Media Culture Co., Ltd.	100%	Cinema operation and management
Nanjing Pairui Cinema Management Co., Ltd.* (南京派瑞影院管理有限公司)	Tianjin Junsheng Pictures Management Co., Ltd.	55%	Cinema operation and management
Chengmai Galaplex Cinema Co., Ltd.* (澄邁銀河歡樂影城有限公司)	Nanjing Pairui Cinema Management Co., Ltd.	100%	Cinema operation and management

DIRECTORS' REPORT

CONTRACTUAL ARRANGEMENTS *(Continued)*

Particulars of the OPCOs and their Registered Owner *(Continued)*

Name of Subsidiary	Holding Company	Ownership	Principal Activities
Datong Galaplex Cinema Co., Ltd.* (大同銀河歡樂影城有限公司)	Nanjing Pairui Cinema Management Co., Ltd.	100%	Cinema operation and management
Qianwei Galaplex Cinema Co., Ltd.* (犍為銀河歡樂影城有限公司)	Nanjing Pairui Cinema Management Co., Ltd.	100%	Cinema operation and management
Anji Galaplex Cinema Co., Ltd.* (安吉銀河歡樂影院有限公司)	Nanjing Pairui Cinema Management Co., Ltd.	100%	Cinema operation and management
Qingdao Galaplex Cinema Co., Ltd.* (青島銀河歡樂影城有限公司)	Nanjing Pairui Cinema Management Co., Ltd.	100%	Cinema operation and management
Guilin Galaplex Cinema Co., Ltd.* (桂林銀河歡樂影城有限公司)	Nanjing Pairui Cinema Management Co., Ltd.	100%	Cinema operation and management
Urumqi Pairui Cinema Management Co., Ltd.* (烏魯木齊派瑞影院管理有限公司)	Nanjing Pairui Cinema Management Co., Ltd.	100%	Cinema operation and management
Danyang Pairui Cinema Management Co., Ltd.* (丹陽派瑞影院管理有限公司)	Nanjing Pairui Cinema Management Co., Ltd.	100%	Cinema operation and management
Urumqi Pairui Galaxy Cinema Management Co., Ltd.* (烏魯木齊派瑞銀河影院管理有限公司)	Nanjing Pairui Cinema Management Co., Ltd.	100%	Cinema operation and management

DIRECTORS' REPORT

CONTRACTUAL ARRANGEMENTS *(Continued)*

Particulars of the OPCOs and their Registered Owner *(Continued)*

Name of Subsidiary	Holding Company	Ownership	Principal Activities
Hangzhou Pairui Cinema Management Co., Ltd.* (杭州派瑞影院管理有限公司)	Nanjing Pairui Cinema Management Co., Ltd.	100%	Cinema operation and management
Xining Galaplex Cinema Co., Ltd.* (西寧銀河歡樂影城有限公司)	Nanjing Pairui Cinema Management Co., Ltd.	100%	Cinema operation and management
Horgos Xiaoyuzhou Media Culture Co., Ltd.* (霍爾果斯小宇宙影視文化有限公司)	Zhejiang Dongyang Xiaoyuzhou Movie & Media Co., Ltd	100%	Investment in and production and distribution of film copyrights
Beijing Bluesky Darkhorse Culture Media Co., Ltd.* (北京藍天黑馬文化傳媒有限公司)	Zhejiang Dongyang Xiaoyuzhou Movie & Media Co., Ltd.	70%	Film distribution and marketing
Beijing Surprise Plentiful Culture Media Co., Ltd.* (北京鯨喜很多文化傳媒有限公司)	Beijing Bluesky Darkhorse Culture Media Co., Ltd.	100%	Film distribution and marketing
Beijing Imagination Infinity Culture Media Co., Ltd.* (北京想象力無限文化傳媒有限公司)	Beijing Bluesky Darkhorse Culture Media Co., Ltd.	100%	Film distribution and marketing
Beijing Basic Skill Culture Media Co., Ltd.* (北京基本功文化傳媒有限公司)	Beijing Bluesky Darkhorse Culture Media Co., Ltd.	100%	Film distribution and marketing
Beijing Xiangyang Culture Media Co., Ltd.* (北京象样文化傳媒有限公司)	Beijing Bluesky Darkhorse Culture Media Co., Ltd.	100%	Film distribution and marketing

DIRECTORS' REPORT

CONTRACTUAL ARRANGEMENTS *(Continued)*

Particulars of the OPCOs and their Registered Owner *(Continued)*

Name of Subsidiary	Holding Company	Ownership	Principal Activities
Hangzhou Kangmai Investment Management Co., Ltd.* (杭州康邁投資管理有限公司)	Zhejiang Dongyang Alibaba Pictures Co., Ltd.	100%	Investment management, industrial investment and investment consultation
Tianjin Byte Qiyuan Corporate Management Co., Ltd.* (天津字節啟元企業管理有限公司)	Hangzhou Kangmai Investment Management Co., Ltd.	100%	Investment management, industrial investment and investment consultation; production of broadcasting & television programs
Tianjin Duanhenaqu Technology Co., Ltd.* (天津端盒拿趣科技有限公司)	Hangzhou Kangmai Investment Management Co., Ltd.	100%	Sale of pop toys
Beijing Ju You Xiang Fa Movie & TV Culture Communication Co., Ltd.* (北京劇有想法影視文化傳播有限公司)	Hangzhou Kangmai Investment Management Co., Ltd.	100%	Investment in and production and distribution of film and television programs
Beijing Tangerine Orange Culture Media Co., Ltd.* (北京橘子橙子文化傳媒有限公司)	Hangzhou Kangmai Investment Management Co., Ltd.	100%	Marketing of film and television programs
Aliyu (Tianjin) Culture Communication Co., Ltd.* (阿鯉魚(天津)文化傳播有限公司)	Hangzhou Kangmai Investment Management Co., Ltd.	100%	IP-related products
Hangzhou Alibaba Movie & TV Investment & Management Co., Ltd.* (杭州阿里巴巴影視投資管理有限公司)	Zhejiang Dongyang Alibaba Pictures Co., Ltd.	100%	Investment management, industrial investment and investment consultation
Beijing Fanni Fanni Culture Media Co., Ltd.* （北京蕃尼蕃尼文化傳媒有限公司）	Zhejiang Dongyang Alibaba Pictures Co., Ltd.	60%	Production of variety shows, television programs and short dramas for children

DIRECTORS' REPORT

CONTRACTUAL ARRANGEMENTS *(Continued)*

Particulars of the OPCOs and their Registered Owner *(Continued)*

Name of Subsidiary	Holding Company	Ownership	Principal Activities
Cool Young Culture Communication Co., Ltd.* (酷漾文化傳播有限公司)	Zhejiang Dongyang Alibaba Pictures Co., Ltd.	51%	Talent agency
Beijing 102 Artists Agency Co., Ltd* (北京壹零貳藝人經紀有限公司)	Cool Young Culture Communication Co., Ltd.	100%	Talent agency
Beijing Liyu Culture Communication Co., Ltd.* (北京里娛文化傳播有限責任公司)	Cool Young Culture Communication Co., Ltd.	100%	Talent agency
Hainan Alibaba Pictures Co., Ltd.* (海南阿里巴巴影業有限公司)	Zhejiang Dongyang Alibaba Pictures Co., Ltd.	100%	Production, distribution, and marketing of film and television programs
Hainan Canno Studio Pictures Co., Ltd.* (海南可能製造影業有限公司)	Hainan Alibaba Pictures Co., Ltd.	100%	Production, distribution, and marketing of film and television programs
Beijing Taoxiu New Media Technology Co., Ltd.* (北京淘秀新媒體科技有限公司)	Zhejiang Dongyang Alibaba Pictures Co., Ltd.	60%	Internet information services, advertising and marketing
Zhongyu (Tianjin) Commercial Factoring Co., Ltd.* (中娛(天津)商業保理有限公司)	Beijing Yulebao Movie & Media Co., Ltd.	100%	Factoring

The following table sets forth the subsidiaries of Shanghai Tao Piao Piao as at the date of this report:

Hangzhou Piaocang Culture Media Development Co., Ltd.* (杭州票倉文化傳媒發展有限公司)	Shanghai Tao Piao Piao	100%	Internet information services, advertising and marketing

DIRECTORS' REPORT

CONTRACTUAL ARRANGEMENTS *(Continued)*

Structured Contracts in place

Prior to completion of the VIE Structure Optimization, the OPCOs were either owned by Zhang Yong and Jiang Fang or Ni Xingjun and Zheng Junfang. After completion of the VIE Structure Optimization, the OPCOs will be directly owned by Beijing Baoxuan, which is indirectly held by designated personnel through certain limited partnership and corporate vehicles. The Group, through the relevant Subsidiaries, has entered into the Structured Contracts relating to the New Contractual Arrangements, which are substantially similar to the contractual arrangements we previously made with the relevant OPCOs and the previous registered owners of the OPCOs. The contractual arrangements, both before and after the VIE Structure Optimization, give the Group effective control over the OPCOs and their subsidiaries and enable us to obtain substantially all of the economic benefits generated by the OPCOs and their subsidiaries as well as to consolidate the financial results of the OPCOs and their subsidiaries into results of operations of the Group.

As at the date of this report, there were three sets of ongoing Structured Contracts in place entered into between:

(a) Zhonglian Shengshi (as the Company's Subsidiary), Zhonglian Jinghua (as the OPCO) and/or Beijing Baoxuan (as the registered owner);

(b) Zhonglian Shengshi (as the Company's Subsidiary), Beijing Ali Tao (as the OPCO) and/or Beijing Baoxuan (as the registered owner); and

(c) Hangzhou Tao Piao Piao (as the Company's Subsidiary), Shanghai Tao Piao Piao (as the OPCO) and/or Beijing Baoxuan (as the registered owner).

These Structured Contracts enable the Group to:

- exercise effective financial and operational control over each of the OPCOs;
- exercise equity holders' voting rights of each of the OPCOs; and
- receive substantially all of the economic interest returns generated by each of the OPCOs and their subsidiaries.

Major terms of the above Structured Contracts are substantially the same. A brief summary of the major terms is set out below:

DIRECTORS' REPORT

CONTRACTUAL ARRANGEMENTS *(Continued)*

Structured Contracts in place *(Continued)*

(1) Exclusive Service Agreements (獨家服務協議)

Pursuant to the Exclusive Service Agreements, the relevant OPCO has agreed to engage the relevant Subsidiary as its exclusive provider of, among other matters, technical support and consultancy services requested by the relevant OPCO from time to time to the extent permitted under applicable PRC laws in exchange for service fees. The service fees are fixed with reference to the net profit of the relevant OPCO. In respect of certain specific technical services requested by the relevant OPCO, the relevant OPCO shall pay the relevant Subsidiary a service fee as quoted by the relevant Subsidiary taking into account the nature and workload of such services. The relevant Subsidiary may adjust the amount of service fees with reference to the actual services provided and the actual business operations of the relevant OPCO. The relevant OPCO shall not oppose to such adjustment unless with reasonable grounds.

Unless otherwise prescribed under the PRC laws and regulations, the relevant Subsidiary shall have exclusive proprietary rights to any intellectual property (including but not limited to copyright, patent, technical secret and trade secret) in the work product developed by the relevant Subsidiary or the relevant OPCO in the course of the provision of services under the relevant Exclusive Service Agreement.

Each of the Exclusive Service Agreement has a term of 20 years and will be automatically renewed for successive one-year term upon expiry unless otherwise notified by the relevant Subsidiary. The relevant Exclusive Service Agreement shall be terminated prior to expiration in the event that the business period of either the relevant Subsidiary or the relevant OPCO expires.

DIRECTORS' REPORT

CONTRACTUAL ARRANGEMENTS *(Continued)*

Structured Contracts in place *(Continued)*

(2) Loan Agreements (借款協議)

Pursuant to the Loan Agreements, the relevant Subsidiary agreed to provide interest-free loans to Beijing Baoxuan as capital contribution to the relevant OPCO or for other purposes as agreed by the relevant Subsidiary. Beijing Baoxuan, in return for the provision of loans, agreed to enter into an Equity Interest Pledge Agreement with the relevant Subsidiary to pledge all of its equity interest in the relevant OPCO as security.

The term of each loan under the relevant Loan Agreement is 20 years from the signing date, or for a period until expiration of the business period of the relevant Subsidiary or the relevant OPCO, whichever is earlier. Beijing Baoxuan shall repay the loan upon expiration of the term. In that circumstance, unless otherwise prohibited by the applicable laws and regulations, the relevant Subsidiary or its designee is entitled to acquire the entire equity interest held by Beijing Baoxuan in the relevant OPCO for a consideration which is equal to the loan amount. Beijing Baoxuan shall waive any pre-emptive rights upon transfer of equity interest in the relevant OPCO to the relevant Subsidiary. Any tax arising from the loan shall be borne by the relevant Subsidiary.

(3) Equity Interest Pledge Agreements (股權質押協議)

Pursuant to the Equity Interest Pledge Agreements, Beijing Baoxuan agreed to pledge all of its respective equity interests in the relevant OPCO to the relevant Subsidiary, as a security interest to guarantee the performance of contractual obligations and the payment of outstanding loans of Beijing Baoxuan. Unless due to the intentional misconduct or gross negligence of the relevant Subsidiary, the relevant Subsidiary shall not be liable for any decrease in value of the pledged interests, and Beijing Baoxuan shall not have any right to claim against the relevant Subsidiary as a result of such decrease in value. However, in the event that the decrease in value of the pledged interest may jeopardize rights of the relevant Subsidiary, or upon occurrence of default, the relevant Subsidiary may auction or sell the pledged interest for and on behalf of Beijing Baoxuan, and allocate the proceeds received for loan prepayment or deposit such proceeds to the relevant Subsidiary's local Notary Office.

The pledge in respect of an OPCO takes effect upon completion of registration with the competent authority, and shall remain valid until all the contractual obligations of Beijing Baoxuan and the relevant OPCO under the relevant Structured Contracts have been fully performed and that all outstanding loans have been fully repaid. During the period of the pledge, without the prior written consent of the relevant Subsidiary, Beijing Baoxuan shall not create or agree to create any new pledge or other security on the equity interests of the relevant OPCO, nor assign or transfer any of the equity interests in the relevant OPCO.

DIRECTORS' REPORT

CONTRACTUAL ARRANGEMENTS *(Continued)*

Structured Contracts in place *(Continued)*

(4) Powers of Attorney on Shareholders' Voting Rights (股東表決權委託協議)

Pursuant to the Powers of Attorney on Shareholders' Voting Rights, Beijing Baoxuan irrevocably appointed designee(s) of the Subsidiary who are PRC nationals, to act as its attorney on its behalf to exercise all rights in connection with matters concerning its right as shareholder of the relevant OPCO, including but not limited to:

(a) attending the shareholders' meeting of the relevant OPCO as representative(s) of Beijing Baoxuan;

(b) exercising shareholders' voting rights on issues in respect of appointment of directors and senior management, disposal of assets and liquidation, etc.;

(c) signing meeting minutes and resolutions;

(d) signing relevant documents when Beijing Baoxuan sells or transfers all or part of its equity interest pursuant to the Exclusive Option Agreements;

(e) signing all necessary documents when the relevant Subsidiary exercises its rights under the relevant Equity Interest Pledge Agreement;

(f) approving filing documents with the relevant competent authorities; and

(g) other matters decided or executed by the shareholders pursuant to the relevant constitutional documents.

The Powers of Attorney on Shareholders' Voting Rights shall remain effective for 20 years, and will be automatically renewed for consecutive one-year term upon expiry unless otherwise notified by the relevant Subsidiary. The Powers of Attorney on Shareholders' Voting Rights shall be terminated prior to expiration in the event that the business period of either the relevant Subsidiary or the relevant OPCO expires.

DIRECTORS' REPORT

CONTRACTUAL ARRANGEMENTS *(Continued)*

Structured Contracts in place *(Continued)*

(5) Exclusive Option Agreements (獨家購買權協議)

Pursuant to the Exclusive Option Agreements, Beijing Baoxuan agreed to irrevocably, unconditionally and exclusively grant an exclusive option to the relevant Subsidiary, so that the relevant Subsidiary may elect to purchase, when permitted by the then applicable PRC laws, all or any part of the equity interests in, and/or all or any of the assets of, the relevant OPCO from Beijing Baoxuan by themselves or through their designee(s). In the event that any of the options is exercised by the relevant Subsidiary, the transfer price of the relevant equity interests and assets shall correspond to the registered capital amount and the net asset value, respectively, or the legal minimum price under the then applicable PRC laws (as the case may be). Subject to the applicable PRC laws, Beijing Baoxuan shall transfer all the consideration it receives in relation to such transfer of equity interests in and assets of the relevant OPCO to the relevant Subsidiary after receiving such consideration, after deduction of applicable taxes and government fees and repayment of any outstanding debt pursuant to the Loan Agreements.

Pursuant to the Exclusive Option Agreements, without the prior written consent of the relevant Subsidiary, Beijing Baoxuan shall not sell, transfer, mortgage or dispose of in any manner any assets of the relevant OPCO (except in the ordinary course of business), or legal or beneficial interest in the business or revenues of the relevant OPCO, or allow the creation of any security interest thereon.

The Exclusive Option Agreements shall remain effective from the execution date and terminate when the equity interests in and assets of the relevant OPCO have been legally transferred to the relevant Subsidiary or its designee in accordance with the terms of the relevant Exclusive Option Agreement.

Risks associated with Structured Contracts and the actions taken to mitigate the risks

The Group believes the following risks are associated with the Structured Contracts:

- If the PRC government finds that the Structured Contracts that establish the structure for operating our entertainment content production, distribution, cinema operation and investment businesses in the PRC do not comply with applicable PRC laws and regulations, we could be subject to penalties and our business may be materially and adversely affected;

- Certain terms of our Structured Contracts may not be enforceable under PRC laws;

- Our Structured Contracts may not be as effective in providing control over our OPCOs as equity ownership;

- Any failure by the OPCOs or their respective ultimate shareholders to perform their obligations under our Structured Contracts would potentially lead to our having to incur additional costs and expend material resources to enforce such arrangements, temporary or permanent loss of control over our domestic content production, distribution, cinema operation and investment businesses or loss of access to the revenue from these businesses;

DIRECTORS' REPORT

CONTRACTUAL ARRANGEMENTS *(Continued)*

Risks associated with Structured Contracts and the actions taken to mitigate the risks *(Continued)*

- The ultimate owners of the OPCOs may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition;

- If any of the Subsidiaries or OPCOs becomes the subject of a bankruptcy or liquidation proceeding, we may lose the ability to use and enjoy certain important assets, which could materially and adversely affect our business;

- The exercise of the option to acquire the equity interests of the OPCOs by the Group may be subject to certain limitations and the ownership transfer may incur substantial costs; and

- The future interpretation and implementation of the newly enacted Foreign Investment Law may cause uncertainties to the execution, commencement and fulfilment of New Contractual Arrangements entered into among the Subsidiaries, Beijing Baoxuan and the OPCOs. Despite that the newly enacted Foreign Investment Law has not expressly defined the VIE structure as a form of foreign investment, there is no guarantee that the foreign investment through the VIE structure would not be regarded as indirect foreign investment in the future. If the New Contractual Arrangements are identified as indirect foreign investment and brought under supervision, the New Contractual Arrangements, in the worst case scenario, may be regarded as invalid and illegal, and become subject to corresponding adjustments.

Consequently, the Group may have to dispose of the businesses under the New Contractual Arrangements, and lose rights to receive all of the economic interests and benefits generated by the OPCOs, such that the financial results of the OPCOs and their subsidiaries would no longer be consolidated into the financial results of the Group, which would have an adverse impact on the financial results of the Group. To reduce such uncertainties and risks, it is prescribed in the New Contractual Arrangements that, upon the occurrence of such circumstances, Beijing Baoxuan will take steps to dispose of or transfer the interests and/or assets directly or indirectly held by it in the OPCOs, and procure the relevant transferee to make commitments similar with those contained in the New Contractual Arrangements. Then, the Structured Contracts under the New Contractual Arrangements may be treated as a domestic investment in accordance with relevant PRC laws, so as to ensure that the Structured Contracts under the New Contractual Arrangements are legal and valid and/or enable the OPCOs and their affiliates newly established from time to time to continue on a going concern basis.

As mentioned above, there are uncertainties with respect to the interpretation and implementation of the newly enacted Foreign Investment Law, and the Group will closely monitor the development of the newly enacted Foreign Investment Law, including but not limited to, any new negative lists issued by or approved to be issued by the State Council, or any future laws, administrative regulations or provisions prescribed by relevant governmental authorities. Meanwhile, the Group will also assess any possible impact from the development of the newly enacted Foreign Investment Law on the New Contractual Arrangements and the relevant business operations in due course.

DIRECTORS' REPORT

CONTRACTUAL ARRANGEMENTS *(Continued)*

Risks associated with Structured Contracts and the actions taken to mitigate the risks *(Continued)*

In case there would be material and adverse effect on the Group or the business of the OPCOs arising from the newly enacted Foreign Investment Law, the Group will disclose, as soon as possible: (1) updates of any material development to the newly enacted Foreign Investment Law as and when it occurs; (2) specific measures taken by the Group to fully comply with the newly enacted Foreign Investment Law; and (3) any material impact of the development of the newly enacted Foreign Investment Law on the operations and financial position of the Group.

In view of the regulatory risks associated with the Structured Contracts, the Group follows closely the latest developments with regards to the relevant PRC laws, rules and regulations. The Group will seek professional legal advice when there are any changes or updates in this regard and to deal with specific issues arising from the Structured Contracts. The Group periodically reviews the Structured Contracts and assesses the financial situation of the OPCOs on a regular basis.

In terms of the Group's overall business profile, the Group continued to diversify its business segments beyond domestic content production, distribution and investment during the Reporting Period.

Revenues generated from non-OPCOs make up a material portion of the Group's total revenue.

Revenue and assets involved in Structured Contracts

The following table sets out (i) revenue and (ii) assets involving the OPCOs which are consolidated into the Group's financial statements pursuant to the Structured Contracts:

	Revenue (RMB'000) (proportionate% to the Group) For the year ended March 31, 2021	**Assets (RMB'000) (proportionate% to the Group) As at March 31, 2021**
Zhonglian Jinghua (Consolidated)	778,306 (27%)	2,340,854 (15%)
Beijing Ali Tao (Consolidated)	1,219,220 (43%)	5,294,513 (34%)
Shanghai Tao Piao Piao (Consolidated)	61,809 (2%)	248,260 (2%)

* *For identification purpose only*

DIRECTORS' REPORT

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at March 31, 2021, the following parties had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Ordinary shares of HK$0.25 each in the capital of the Company ("Shares")

Name of Shareholder	Capacity in which interests are held	Number of Shares/ underlying Shares held	Long position/ Short position	Approximate percentage of issued share capital *(Note 2)*
Ali CV	Beneficial owner *(Note 1)*	13,488,058,846	Long position	50.26%
Alibaba Investment Limited ("AIL")	Interest of controlled corporation *(Note 1)*	13,488,058,846	Long position	50.26%
AGH	Interest of controlled corporation *(Note 1)*	13,488,058,846	Long position	50.26%
Bian Ximing/Yang Minghua	Beneficial owner	1,865,160,000	Long position	6.95%

Notes:

1. This represents the interest in 13,488,058,846 shares of the Company held by Ali CV as beneficial owner. As of March 31, 2021, Ali CV was wholly owned by AGH, through its controlled corporation, AIL. Accordingly, AGH and AIL were deemed to have the same interest held by Ali CV.

2. As of March 31, 2021, the Company had a total of 26,834,946,210 shares in issue.

Save as disclosed above, as at March 31, 2021, there were no other parties who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' INTEREST IN COMPETING BUSINESSES

None of the Directors and their respective associates is interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

DIRECTORS' REPORT

USE OF PROCEEDS FROM ISSUE OF EQUITY SECURITIES

On March 5, 2019, the Company allotted and issued 1,000,000,000 new ordinary shares of the Company (the "Subscription Share(s)") of nominal value of HK$250,000,000 in the capital of the Company to Ali CV as the Subscriber at the subscription price of HK$1.25 per Subscription Share (the "Subscription"). The Directors considered that the Subscription would further strengthen the collaboration between the Company and Alibaba Group's other media content and distribution businesses and lay down a more solid foundation for the Company's future business development. The closing price of the shares of the Company as quoted on the Stock Exchange was HK$1.23 on December 8, 2018, being the last trading day immediately prior to the date on which the terms of the Subscription were fixed. The net proceeds, after deduction of all relevant expenses incidental to the Subscription, were estimated to be approximately HK$1,247,500,000 and the net subscription price per Subscription Share was approximately HK$1.25. The net proceeds from the Subscription would mainly be used for content investment, the further expansion of customer base, sales and marketing activities, selective mergers and acquisitions when opportunities arise, and general corporate purposes. As at April 1, 2020, the balance of net proceeds from the Subscription amounted to approximately HK$1,060,000,000, equivalent to approximately RMB907 million. For the financial year ended March 31, 2021, RMB120 million was used to fund working capital and RMB358 million was used for equity investments. The use of proceeds from the Subscription was in line with the plan as previously disclosed. As at March 31, 2021, the remaining balance of net proceeds from the Subscription amounted to approximately RMB429 million, which is expected to be fully utilised within 3 years and will be used as originally planned for content investment, further expansion of customer base, sales and marketing activities, selective mergers and acquisitions when opportunities arise, and general corporate purposes.

EQUITY-LINKED AGREEMENTS

Save for the 2012 Share Option Scheme and the Share Award Scheme as disclosed in the section headed "Share Incentive Schemes" of this report on pages 24 to 34, the Company has not entered into any equity-linked agreement for the financial year ended March 31, 2021.

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 purchased, sold or redeemed any of the Company's shares during the year ended March 31, 2021.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance code. Information on the corporate governance code adopted by the Company is set out in the Corporate Governance Report on pages 75 to 101.

DONATIONS

Donations made by the Group during the financial year ended March 31, 2021 was nil (financial year ended March 31, 2020: nil).

DIRECTORS' REPORT

TAXATION RELIEF

The Company is not aware of any relief on taxation available to the shareholders of the Company by reason of their holdings of the shares of the Company. If the shareholders of the Company are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the shares of the Company, they are advised to consult their professional advisers.

PUBLIC FLOAT

As at the date of this report, the Company has maintained a sufficient public float as required under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of its Directors.

AUDITOR

There has been no change of the Company's auditor in the past three years. The consolidated financial statements for the year ended March 31, 2021 were audited by PricewaterhouseCoopers ("PwC"). A resolution to re-appoint PwC as auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board
Fan Luyuan
Chairman & Chief Executive Officer

Hong Kong, June 9, 2021

CORPORATE GOVERNANCE REPORT

Alibaba Pictures Group Limited (the "Company", together with its subsidiaries, the "Group") 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 of directors (the "Directors") (the "Board") of the Company 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 and a sufficient number of 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.

CORPORATE GOVERNANCE REPORT

THE BOARD

The Board currently comprises seven Directors in total, with three executive Directors ("ED(s)"), one non-executive Director ("NED(s)") and three independent non-executive Directors ("INED(s)"). The composition of the Board during the financial year ended March 31, 2021 and up to the publication date of this report is set out as follows:

Executive Directors
Mr. Fan Luyuan *(Chairman & Chief Executive Officer)*
Mr. Li Jie *(Appointed on June 24, 2020)*
Mr. Meng Jun

Non-Executive Director
Mr. Xu Hong

Independent Non-Executive Directors
Ms. Song Lixin
Mr. Tong Xiaomeng
Mr. Johnny Chen

The Board has adopted a policy setting out the approach to achieve diversity on the Board (the "Board Diversity Policy") with the aims of enhancing the Board's effectiveness and strengthening the corporate governance for contributing to the long term growth and sustainability of the Company. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to, gender, age, cultural and educational background, professional experience, knowledge and length of service. The current Board consists of members with an appropriate balance and level of knowledge, skill, experience and perspectives required to support the implementation of business strategies. The Company also takes into consideration factors based on its business needs and availability of the suitable qualified individuals in determining the optimal composition of the Board.

An updated list of Board members identifying their roles and functions is maintained on the websites of the Company and the Stock Exchange. The brief biographical details of the Directors are set out in the section headed "Biographical Information of Directors and Senior Management" on pages 16 to 18. Save as disclosed therein, there is no financial, business, family or other material relationship among members of the Board.

During the financial year ended March 31, 2021, the NEDs and INEDs provided the Group with a wide range of qualifications, expertise and experience through regular attendance and active participation. Their positive contribution brings independent judgment on issues relating to the Group's strategy, performance and management process, taking into account the interests of all Shareholders.

CORPORATE GOVERNANCE REPORT

THE BOARD *(Continued)*

The Company confirms that each INED has given an annual confirmation of his/her independence to the Company, and the Company considers each of them is independent under the guidelines set out in Rule 3.13 of the Listing Rules. The Board believes that there is sufficient independence on the Board to safeguard the interest of Shareholders.

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group and to review and approve the Group's annual and interim results. Directors may participate either in person or through electronic means of communications. During the financial year ended March 31, 2021, six Board meetings and two general meetings of the Company were held. The attendance of each Director at Board meetings and general meetings of the Company is set out as follows:

	Number of meetings attended/eligible to attend	
Directors	**Board Meetings**	**General Meetings**
Executive Directors		
Mr. Fan Luyuan *(Chairman & Chief Executive Officer)*	6/6	2/2
Mr. Li Jie	6/6	2/2
Mr. Meng Jun	6/6	2/2
Non-Executive Director		
Mr. Xu Hong	5/6	1/2
Independent Non-Executive Directors		
Ms. Song Lixin	6/6	2/2
Mr. Tong Xiaomeng	6/6	2/2
Mr. Johnny Chen	6/6	2/2

CORPORATE GOVERNANCE REPORT

THE BOARD *(Continued)*

The Board has reserved for its decision or consideration matters covering mainly the Group's overall strategy, annual operating budgets, annual and interim results, recommendations on Directors' appointment or re-appointment, material contracts and transactions, as well as other significant policy and financial matters. The Board has delegated responsibility for day-to-day operations to management under the instruction and supervision of the executive committee of the Company (the "Executive Committee") which has its specific written terms of reference. The Board will review the respective functions of the Board and management of the Company from time to time to ensure that they are consistent with the existing rules and regulations.

All Directors are required to disclose to the Company offices held in public companies or organizations and other significant commitments in order to ensure that they can give sufficient time and attention to the Company's affairs.

The Board should meet regularly at least four times a year at approximately quarterly intervals. During the financial year ended March 31, 2021, the Board held four regular meetings and two ad hoc meetings. The Company's daily business operations are under the management of its executive Directors. In addition to regular meetings, the Board will hold ad hoc meetings from time to time as necessitated by business needs in order to consider and resolve all material business or management issues of the Company. At least 14 days' notice of a regular Board meeting is normally given to all Directors who are given an opportunity to include matters for discussion in the agenda. The company secretary assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least three days before the intended date of a regular Board meeting (and so far as practicable for such other Board meetings). Draft minutes of each Board meeting are circulated to all Directors for their comments. All minutes are kept by the Company Secretarial Department of the Company and are open for inspection at any reasonable time on reasonable notice by any Director.

According to current Board practice, any transaction which involves a conflict of interests for a substantial Shareholder or a Director and which is considered by the Board to be material will be dealt with by the Board at a duly convened Board meeting. The Bye-laws of the Company (the "Bye-laws") also stipulate that a Director should abstain from voting and not be counted towards the quorum at meetings for approving transactions in which such Director or any of his associates has a material interest.

Each Director is entitled to have access to Board papers and related materials and has access to the advice and services of the company secretary. The Board and each Director also have separate and independent access to the Company's management. In addition, a written procedure was established in June 2005 to enable the Directors, in the discharge of their duties, to seek independent professional advice in appropriate circumstances at a reasonable cost to be borne by the Company.

The Company has arranged liability insurance for Directors and officers with appropriate coverage for certain legal liabilities which may arise in the course of performing their duties.

CORPORATE GOVERNANCE REPORT

THE BOARD *(Continued)*

Training and Support for Directors

Directors must keep abreast of their collective responsibilities. Each newly appointed Director would receive an induction package covering the Company's businesses and the statutory and regulatory obligations of a director of a listed company. The Company also provides briefings and other training to develop and refresh the Directors' knowledge and skills. The Company continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes are issued to Directors and senior management where appropriate, to ensure awareness of best corporate governance practices.

During the financial year ended March 31, 2021 and up to the date of this annual report, the Directors participated in the following trainings:

	Attending seminars and/or conferences and/or forums relating to directors' duties or other relevant topics	Reading newspaper, journals and updates relating to the economy, general business or directors' duties etc
Executive Directors		
Mr. Fan Luyuan	✔	✔
Mr. Li Jie	✔	✔
Mr. Meng Jun	✔	✔
Non-Executive Director		
Mr. Xu Hong	✔	✔
Independent Non-Executive Directors		
Ms. Song Lixin	✔	✔
Mr. Tong Xiaomeng	✔	✔
Mr. Johnny Chen	✔	✔

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing corporate governance duties including:

(i) to develop and review the Company's policies and practices on corporate governance;

(ii) to review and monitor the training and continuous professional development of Directors and senior management of the Company;

(iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors of the Company; and

(v) to review the Company's compliance with the CG Code and its disclosure requirements in the Corporate Governance Report.

During the financial year ended March 31, 2021, the Board (i) reviewed the Company's policies on corporate governance and compliance with legal and regulatory requirements; (ii) reviewed and monitored the training and continuous professional development of Directors and the code of conduct of the Company; and (iii) reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

ROLES OF CHAIRMAN AND CHIEF EXECUTIVE

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 a sufficient number of independent non-executive Directors.

CORPORATE GOVERNANCE REPORT

NOMINATION, APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Board has adopted a nomination policy (the "Director Nomination Policy") which sets out the criteria and process in the nomination and appointment of Directors to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and to ensure Board continuity and appropriate leadership at the Board level.

The Board has delegated its responsibilities and authority for selection and nomination of Directors to the nomination committee of the Company (the "Nomination Committee") in accordance with its terms of reference.

Below is the summary of the Director Nomination Policy:

Selection Criteria

The Nomination Committee shall identify and nominate qualified individual(s) for appointment as additional Director(s) or to fill Board vacancies as and when they arise. The criteria to be adopted by the Board in considering each individuals shall be their ability to contribute to the effective carrying out by the Board of its responsibilities set out in the CG Code and Appendix 14 of the Listing Rules.

In evaluating and selecting any candidate for directorship, the following criteria should be considered:

- character and integrity;
- qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- diversity aspects under the Board Diversity Policy including gender, age (18 years or above), cultural and educational background, racial, professional experience, ethnicity and length of service;
- (in case of independent non-executive directors) requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;
- willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and
- any other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

CORPORATE GOVERNANCE REPORT

NOMINATION, APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS *(Continued)*

Nomination Process

(a) Appointment of New Director

(i) The secretary to the Nomination Committee (being the company secretary of the Company according to the Terms of Reference) shall call for a meeting of the Nomination Committee when he or she receives nominations of candidates from Board members or put forward candidates who are not nominated by any Board member.

(ii) The Nomination Committee should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria listed above to determine whether such candidate is qualified for directorship.

(iii) If the process yields one or more desirable candidates, the Nomination Committee should rank them by order of preference based on the needs of the Company, the criteria listed above and reference check results of each candidate (where applicable).

(iv) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

(v) For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation(s) to the Shareholders in respect of the proposed election of director at the general meeting.

(b) Re-election of Director at General Meeting

(i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring director and the level of participation and performance on the Board.

(ii) The Nomination Committee and/or the Board should also review and determine whether the retiring director continues to meet the criteria listed above.

(iii) The Nomination Committee and/or the Board should then make recommendation(s) to Shareholders in respect of the proposed re-election of director(s) at the general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as director at the general meeting, the relevant information of the candidate will be disclosed in the circular to the Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

CORPORATE GOVERNANCE REPORT

NOMINATION, APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS *(Continued)*

New directors, on appointment, are given an induction package containing all key legal and Listing Rules' requirements as well as guidelines on the responsibilities and obligations to be observed by a director. The package includes the latest published financial reports of the Company and the documentation for the corporate governance code adopted by the Board. The new directors are subsequently provided with briefings and/or trainings as necessary to ensure that they have more detailed information on the Group's businesses and activities.

Each of the EDs and NEDs (including INEDs) has entered into a letter of appointment with the Company for a term of one year and the term of his/her service shall be renewed automatically for successive one-year term or until terminated in accordance with his/her letter of appointment. The office of each director is also subject to the relevant provisions of the Bye-laws or any other applicable laws whereby the directors shall vacate or retire from their office but is eligible for re-election. The Bye-laws provide that any director appointed by the Board to fill a casual vacancy on the Board or, as an addition to the existing Board shall hold office until the first general meeting of the Company after his appointment and be subject to re-election at such meeting.

The code provision A.4.2 of the CG Code requires all directors, including all non-executive directors, to be subject to retirement by rotation at least once every three years. The Company has fully complied with code provision A.4.2 of the CG Code.

The Shareholders may, at any general meeting convened and held in accordance with the Bye-laws, by ordinary resolution remove a director at any time before the expiration of his period of office notwithstanding anything contrary in the Bye-laws or in any agreement between the Company and such director and may by ordinary resolution elect another person in his stead.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established various committees, including the Remuneration Committee, the Audit Committee, the Nomination Committee and the Executive Committee, to perform their distinct roles in accordance with their respective terms of reference.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in accordance with the Company's policy in appropriate circumstances. Copies of minutes of all meetings and resolutions of the committees, which are kept by the Company Secretarial Department of the Company, are circulated to all Board members and the committees are required to report back to the Board on their decision and recommendations, where appropriate. The procedures and arrangements for a Board meeting, as mentioned in the section headed "The Board" of this report, have been adopted for the committee meetings so far as practicable.

Remuneration Committee

The Remuneration Committee has been established since June 2005 and currently consists of three members, including Mr. Tong Xiaomeng (Chairman), Mr. Fan Luyuan and Ms. Song Lixin. Among the three members of the Remuneration Committee, one member is an ED and two members are INEDs.

The major roles and functions of the Remuneration Committee are:

(i) to review and recommend to the Board the remuneration policy and packages of the Directors and, where appropriate, to consult the chairman and/or chief executive about the committee's proposals relating to the remuneration of other executive Directors;

(ii) to consider salaries or fees paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

(iii) to review and recommend the compensation payable to executive Directors for any loss or termination of office or appointment;

(iv) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct; and

(v) to ensure that no Director is involved in deciding his own remuneration.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(Continued)*

Remuneration Committee *(Continued)*

The terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company. The Remuneration Committee has adopted the model described in code provision B.1.2(c)(ii) of the CG Code in its terms of reference.

The Remuneration Committee shall meet at least once a year. Two Remuneration Committee meetings were held in the financial year ended March 31, 2021 and the attendance of each member of the Remuneration Committee is set out as follows:

Committee members	Number of Committee meetings attended/eligible to attend
Mr. Tong Xiaomeng *(Chairman)*	2/2
Mr. Fan Luyuan	2/2
Ms. Song Lixin	2/2

During the financial year ended March 31, 2021, the Remuneration Committee reviewed and recommended for the Board's approval (i) the existing policy and structure for the remuneration of Directors and senior management; (ii) the remuneration packages (including share-based award) of the Directors and senior management; and (iii) the proposed remuneration packages of the newly appointed Director during the year.

Each current Director, except Mr. Xu Hong who does not receive remuneration from the Company, will be entitled to remuneration which is to be proposed for the Shareholders' approval at the annual general meeting ("AGM") each year. Remuneration payable to the individual Director will be determined with reference to his experience and the prevailing market rate of director's fees. Further remuneration payable to Directors including any other fees to the INEDs for their additional responsibilities and services will be approved by the Board on the recommendation of the Remuneration Committee.

Details of the Directors' remuneration are set out in note 35 to the consolidated financial statements. Details of the remuneration policy of the Group are also set out in the paragraph headed "Employees and Remuneration Policies" in the section headed "Management Discussion and Analysis" on page 15.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(Continued)*

Remuneration Committee *(Continued)*

The Company's share option scheme (which was adopted by the Company pursuant to a resolution passed by the Shareholders on May 23, 2002) expired on May 22, 2012. At the AGM held on June 11, 2012, the Shareholders approved the adoption of a new share option scheme. Details of the share option scheme of the Company and the outstanding share options as at March 31, 2020 are set out in the Directors' Report on pages 24 to 29 and Note 24 to the consolidated financial statements.

The Company's share award scheme was adopted and amended by the Board on December 30, 2016 and March 29, 2019, respectively. Details of the share award scheme of the Company are set out in the Directors' Report on pages 30 to 34.

Audit Committee

The Audit Committee has been established since August 2001 with a set of revised written terms of reference adopted on August 28, 2015 which are in line with the CG Code. The Audit Committee currently consists of three INEDs. To retain independence and objectivity, the Audit Committee is chaired by an INED (with appropriate professional qualifications or accounting or related financial management expertise). The current members of the Audit Committee are Mr. Johnny Chen (Chairman), Ms. Song Lixin and Mr. Tong Xiaomeng.

The major roles and functions of the Audit Committee are:

(i) to consider and recommend to the Board the appointment, re-appointment and removal of the external auditor, to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of those auditors;

(ii) to consider and discuss with the external auditor the nature and scope of each year's audit;

(iii) to review and monitor the external auditor's independence and objectivity;

(iv) to review the interim and annual consolidated financial statements before submission to the Board;

(v) to discuss any problems and reservations arising from the interim review and final audit, and any matters the external auditor may wish to discuss;

(vi) to review the external auditor's management letters and management's response;

(vii) to review the Group's financial controls, internal control and risk management systems;

(viii) to discuss the internal control system with the management; and

(ix) to consider major investigations findings on risk management and internal control matters as delegated by the Board and management's response to these findings.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(Continued)*

Audit Committee *(Continued)*

The terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

The Audit Committee shall meet at least twice a year. Two Audit Committee meetings were held in the financial year ended March 31, 2021 and the attendance of each member of the Audit Committee is set out as follows:

Committee members	Number of Committee meetings attended/eligible to attend
Mr. Johnny Chen *(Chairman)*	2/2
Ms. Song Lixin	2/2
Mr. Tong Xiaomeng	2/2

During the financial year ended March 31, 2021, the Audit Committee performed the work summarized as below:

(i) reviewed and recommended for the Board's approval the scope and fees proposed by the external auditor in respect of the final audit for the year ended March 31, 2020 (the "2019/20 Final Audit") and the interim results review for the six months ended September 30, 2020 (the "2020/21 Interim Review");

(ii) reviewed the external auditor's report of findings, independent review report and audit completion report in relation to the 2019/20 Final Audit and the 2020/21 Interim Review;

(iii) reviewed and recommended for the Board's approval the Company's consolidated financial statements for the year ended March 31, 2020 and for the six months ended September 30, 2020 together with the relevant management representation letters;

(iv) reviewed the effectiveness of the internal control and risk management systems; and

(v) recommended to the Board, for the approval by the Shareholders, the re-appointment of the auditor of the Company.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(Continued)*

Nomination Committee

The Nomination Committee has been established since March 2012 with a set of revised written terms of reference adopted in August 2013 which are in line with the CG Code. The Nomination Committee currently consists of three members, including Mr. Fan Luyuan (Chairman), Mr. Tong Xiaomeng and Mr. Johnny Chen. Among three members of the Nomination Committee, one member is an ED and two members are INEDs.

The major roles and function of the Nomination Committee are:

(i) to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(ii) to make recommendations to the Board on the selection of individual(s) nominated for directorship(s);

(iii) to assess the independence of INEDs;

(iv) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors; and

(v) to review a policy concerning diversity of Board members and its implementation and make recommendations on any proposed changes to the Board for the benefits of diversity on the Board.

The terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(Continued)*

Nomination Committee *(Continued)*

The Nomination Committee shall meet at least once a year. Two Nomination Committee meetings were held during the financial year ended March 31, 2021 and the attendance of each member of the Nomination Committee is set out as follows:

Committee members	**Number of Committee meetings attended/eligible to attend**
Mr. Fan Luyuan *(Chairman)*	2/2
Mr. Tong Xiaomeng	2/2
Mr. Johnny Chen	2/2

For the financial year ended March 31, 2021, the Nomination Committee (i) reviewed the Board Diversity Policy and its implementation; (ii) reviewed the structure, size and composition of the Board; (iii) assessed candidate for directorship on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities and put the nomination of such candidate to the Board for decision; (iv) assessed the independence of all the INEDs; (v) reviewed and recommended for the Board's approval on re-election of the retiring Directors at the AGM; and (vi) considered and recommended for the Board's approval on the appointment of Mr. Li Jie as an ED.

Executive Committee

The Executive Committee has been established since December 2004 and currently consists of three executive Directors, namely Mr. Fan Luyuan (Chairman), Mr. Li Jie and Mr. Meng Jun.

The Executive Committee is vested with all the general powers of management and control of the activities of the Group as are vested in the Board, save for those matters which are reserved for the Board's decision and approval pursuant to the written terms of reference of the Executive Committee.

The Executive Committee will meet as and when necessary to discuss the operating affairs of the Group and also deals with matters by way of circulation. The Executive Committee is mainly responsible for undertaking and supervising the day-to-day management and is empowered:

(i) to formulate and implement policies for the business activities, internal control and administration of the Group; and

(ii) to plan and decide on strategies to be adopted for the business activities of the Group within the overall strategy of the Group as determined by the Board.

CORPORATE GOVERNANCE REPORT

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.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibilities for preparing, with the support from the finance department, the consolidated financial statements of the Group. The Directors also acknowledge their responsibilities to ensure that the financial statements of the Group are published in a timely manner. In preparing the consolidated financial statements for the financial year ended March 31, 2021, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance were complied with. Appropriate accounting policies have also been applied consistently.

The Audit Committee has recommended the Board to re-appoint PricewaterhouseCoopers ("PwC") as auditor of the Company. The reporting responsibilities of the Company's external auditor, PwC, are set out in the Independent Auditor's Report on pages 126 to 136.

The financial statements are prepared on a going concern basis. The Directors confirm that, to the best of their knowledge, they are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The Audit Committee reviewed the adequacy of resources, qualifications and experiences of staff of the Group's accounting and financial reporting function, and their training programs and budget.

Risk Management and Internal Control

The Company considers risk management and internal control to be an integral part of its operational management and business activities. The Company takes steady steps to build a comprehensive risk management system that is aligned with the group-wide strategy and which integrates relevant business characteristics. The Company continues to optimize its organizational structure for risk management and standardize its risk management procedures. Both qualitative and quantitative risk management methodologies have been adopted to better identify, evaluate and address risks, so as to strike a balance between risk and return, and to facilitate sustainable and sound growth of each business of the Company while maintaining risk exposure within manageable limits.

CORPORATE GOVERNANCE REPORT

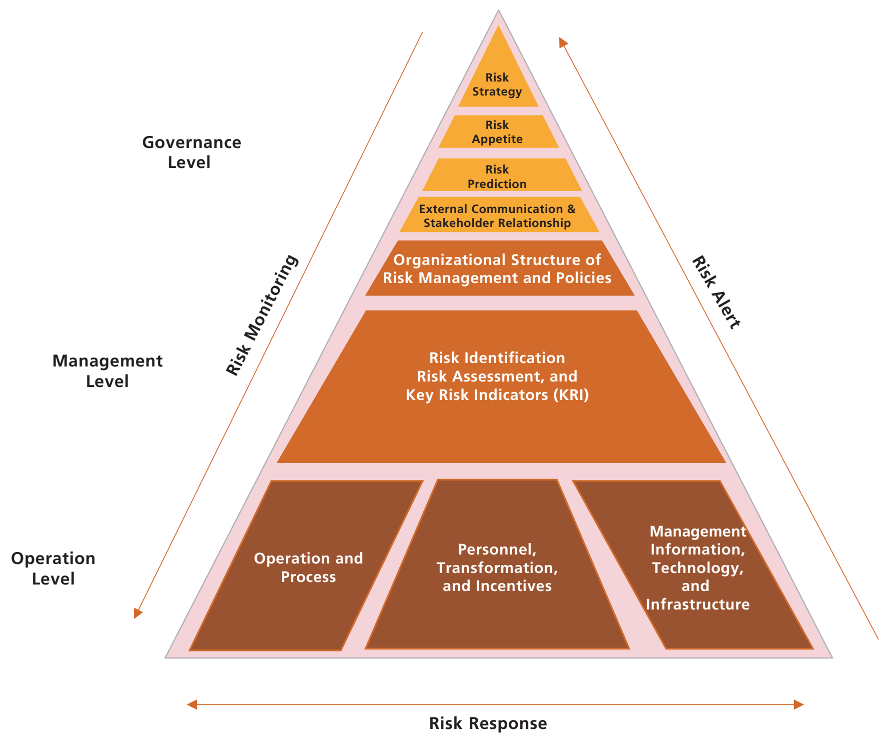
ACCOUNTABILITY AND AUDIT *(Continued)*

Risk Management and Internal Control *(Continued)*

Objectives of Risk Management and Internal Control

The mechanism for risk management and internal control has been established to evaluate and determine the nature of and extent to which the Board is willing to take risks in achieving the Company's strategic objectives, and assist the Group in maintaining proper operations and achieving its performance, profitability goals and overall mission. The immediate aim of internal control is to help provide a reasonable level of assurance that the Group will meet agreed objectives and goals but not to provide absolute assurance against material misstatement or loss. It has a key role in achieving business objectives and managing significant risks rather than eliminating the risk of failure to achieve business objectives. The management of the Company provides the Board with confirmation as to the effectiveness of relevant risk management and internal control systems, while the Board is responsible for overseeing the Company's risk management and internal control systems, as well as reviewing their effectiveness, all with an aim to safeguard Shareholders' investment and the Company's assets at all times. The risk management and internal control systems also contain the detailed procedures and requirements for the handling and dissemination of inside information, and the Company will promote and supervise the implementation of such procedures and requirements through promulgation of mechanisms, training and examination, as well as confidentiality agreements with all employees.

The Company actively adapts to changes in the internal and external environment, with a view to staying abreast of the rapid changes in the economic environment of the domestic and overseas Internet-based film and television industry, the promulgation of laws and regulations, as well as business integration and innovation within the Group. Focusing on its development strategy and maintaining a balanced risk appetite, the Company adheres to operational compliance while adopting a rational risk management approach. In a top-down manner, the Company has established robust and reliable risk management mechanisms and internal control systems at different levels including governance, management and operation. Further, by raising awareness about risk management and internal control among all employees, the Company has effectively integrated the risk management mechanisms into its daily operations. The Company has gradually established a dynamic and ongoing mechanism for risk monitoring, alert and response, thereby striking a balance between risk control and business development.



CORPORATE GOVERNANCE REPORT

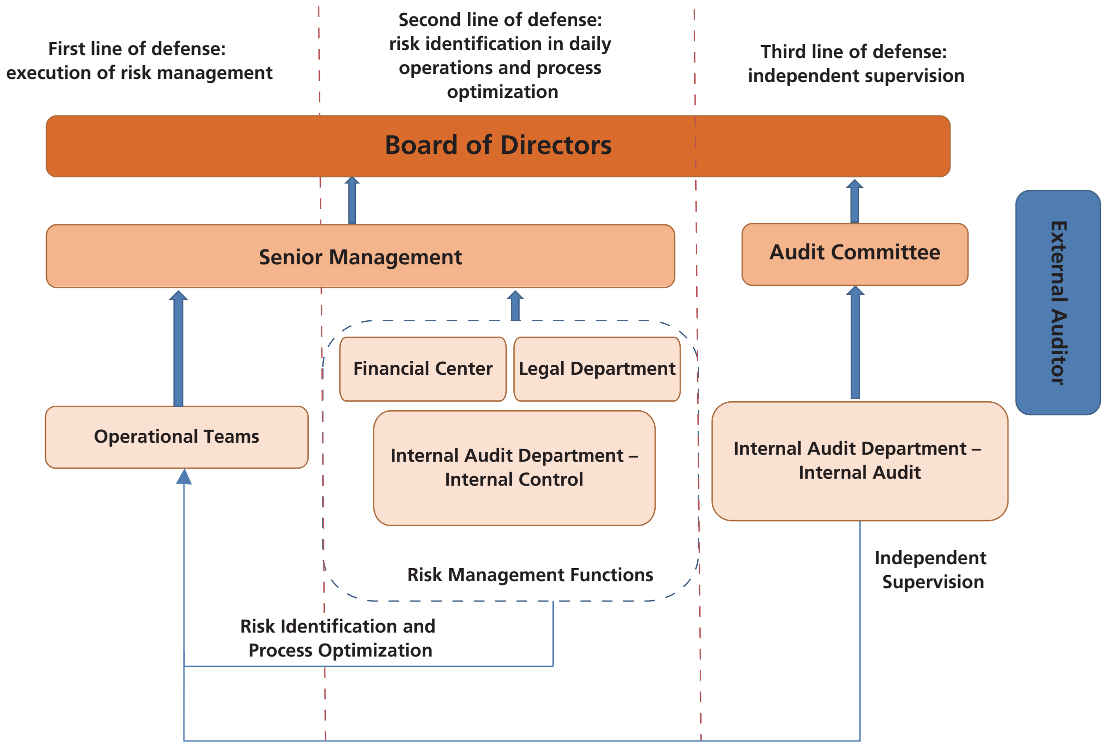
ACCOUNTABILITY AND AUDIT *(Continued)*

Risk Management and Internal Control *(Continued)*

Risk Appetite System

The Group's risk appetite sets the keynote for its risk management. The Company follows a prudent principle in the determination of its risk appetite. In view of the overall strategic deployment of the Group and the development needs of each business line, the Company explores the synergy between its development strategy and risk appetite, thereby facilitating the sound operation and sustainable development of each business line and the Group as a whole.

Organizational Structure of Risk Management and Illustration



As the foremost decision-making body for risk management within the Company, the Board is responsible for ensuring the effectiveness of its overall risk management efforts. In addition to assuming the responsibility to establish and maintain an appropriate and effective risk management system, the Board will also oversee management in designing, implementing and monitoring such risk management system, which effectiveness is to be assessed annually. An Audit Committee has been established by the Board. It performs duties in relation to risk management and internal control on behalf of the Board, and oversees the management in designing, implementing and monitoring the risk management and internal control systems. The Audit Committee reviews the Company's financial control, risk management and internal control systems on an ongoing basis (typically half-yearly). It discusses the risk management and internal control systems with management, monitors and reviews their efficacy, annual audit plans and reports, and, on its own initiative or upon appointment by the Board, studies important findings of investigations on risk management and internal control issues and the management's response to them.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(Continued)*

Risk Management and Internal Control *(Continued)*

Three Lines of Defense for Risk Management

First line of defense: operational teams of business units
At the first line of defense, operational teams of our business units are responsible for executing relevant risk management processes and performing self-assessments on risk identification, risk alert and risk control in relation to internal risks of their respective units. They also report risk events and risk data in accordance with standard requirements of the Company.

Second line of defense: risk management functions (a virtual organization consisting of Financial Center, Legal Department and Internal Audit Department – Internal Control Team)
Our risk management functions, as the second line of defense, take on the overall coordination of risk management efforts within the Company. They are responsible for preparing the overall risk management plan; collecting, identifying, assessing, addressing and supervising risk information in daily operations; and leading various types of risk management work within their respective areas of expertise.

Third line of defense: Internal Audit Department – Internal Audit Team
The Internal Audit Department – Internal Audit Team has been designated to perform independent supervision and independent internal audit. This team is responsible for evaluating the effectiveness of the Group's risk management processes and internal control system. Another part of its responsibility is to report to the Audit Committee on a regular basis. It therefore submits regular audit plans and related reports on risk management and internal audit to the Audit Committee for review. It is the responsibility of the Audit Committee to audit the annual audit plans and review relevant reports on risk management and internal audit.

Comprising experienced professionals in risk control and auditing, the Internal Audit Department was established in January 2015. It reports to the Audit Committee directly and is responsible for planning audit work, which is presented to the Audit Committee for review. It also conducts independent audits following a risk-based approach to evaluate whether the Company's internal control system is adequate and effective.

Going forward, the Company will continue to dedicate itself to improving its risk management framework and ability, integrating risk management into its business operation more systematically, and strengthening the development of a routine risk evaluation mechanism. Meanwhile, the Company will continue to improve information-based development of its risk control measures, with a view to integrating management processes such as risk evaluation, risk control and risk oversight into relevant systems using information-based approaches.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(Continued)*

Risk Management and Internal Control *(Continued)*

Main Work of Risk Management and Internal Audit in the 2021 Financial Year

The Company highly values the development of risk management systems, and has been exploring different methods to gradually identify and improve its overall risk management mechanism through operating and management practices. During the Reporting Period, the Company adopted both qualitative and quantitative risk management methodologies to regularly identify, evaluate and address risks that it faced during the course of achieving operating targets and enhancing management capability. These measures enabled the risk management systems to adapt to characteristics of the internal and external environment that the Company faced as it entered a new stage of development. As a result, potential risks were identified in a timely manner, for which effective countermeasures were proposed for risk prevention and control, thereby reducing losses caused by risk exposure while allowing the Company to capitalize on opportunities amid risk to ensure its sustainable, steady and sound development.

In addition, the Company values the establishment and improvement of internal systems related to corporate governance. During the Reporting Period, not only did the Internal Audit Department execute risk-based internal audits and review important business areas of the Company and corporate-level matters, it also worked with operating units to discuss and rectify weaknesses, with a view to gradually improving internal control mechanisms.

Management will focus on the implementation of previous rectification plans for internal control, regularly discuss all internal control matters, as well as design and take corresponding rectification measures as appropriate.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(Continued)*

Risk Management and Internal Control *(Continued)*

Disclosure of Material Risks

During the Reporting Period, by sorting out, screening and prioritizing the risks that its existing businesses and new businesses faced, the Company identified the following material risks:

Major Risks	Description of Risks	Risk Responses
Regulatory risks	Due to strict regulations on the Internet, film and television industries, the established entry barriers and the content censorship system have, to a certain degree, restricted the development of the Group's operations. Following the promulgation of *Cyber Security Law* and *Personal Information Security Specification*, regulators attach greater importance to legal compliance in relation to the collection and storage of users' personal information.	• The Company stays up-to-date on rules, regulations and regulatory requirements issued by the government and regulators via announcements and notices from the authorities, as well as news media and the Internet. It closely monitors and stays updated on regulatory development by actively engaging in collaborative projects with governing and regulatory bodies. The Company adopts a stringent approach when selecting project themes, promotes positive and aspiring values, with a view to producing works with distinct themes that promote positive values; • The Company establishes channels for information dissemination to provide business teams with timely access to the latest regulatory requirements; it also organizes regular internal seminars to study and implement applicable rules, regulations and regulatory requirements issued by the government and regulators, with a view to ensuring that relevant business teams understand these policies and regulations accurately; • The Company pays close attention to policies and requirements targeting internet-based companies, staying focused on legal compliance of its products. It aims to ensure operational standardization by strengthening internal inspection prior to product launch and increasing inspection frequency.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(Continued)*

Risk Management and Internal Control *(Continued)*

Disclosure of Material Risks *(Continued)*

Major Risks	Description of Risks	Risk Responses
Industry risks	In light of increasing competition in areas such as content production, promotion and distribution in China's film and television industry, investing in film projects involves many uncertainties that cover multiple aspects, including, among others, project selection, market acceptance and investment return. During the Reporting Period, the outbreak of COVID-19 led to a substantial halt in the film industry from April to July, which did not recover until the end of July, causing severe impact on the entire industry.	• The Company promotes collaborations featuring complementary resources and the exchange of top industry talents, while fully enhancing its capacity in content production as well as internet-based promotion and distribution through the continuous formation of an ecosystem that covers upstream and downstream activities in the industry value chain. It has been increasing its investment in content, continues to deploy and invest in high-quality content, as well as scale up input to self-production and co-production of films. Through the development of its internet-based platform for promotion and distribution, as well as the provision of differentiated services, the Company aims to improve its ability to attract and retain customers, while increasing its competitiveness in the market; • By continually optimizing content evaluation and decision-making mechanisms and adopting a "greenlight committee" policy, the Company fully evaluates and makes investment decisions on potential projects scientifically; • Through full utilization of big data technology, the Company reinforces its collection of basic data and estimates of industry trends, so as to provide guidance for the direction of project selection and content production. Leveraging on its advantage in data utilization, the Group provides data-based products to customers, addressing their needs through accurate market positioning; • By building a library of materials for original stories, the Company has been moving towards the upstream of content production. It cooperates with Alipay to operate with local services in mind, in order to raise its profile. It also promotes the healthy development of its business;

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(Continued)*

Risk Management and Internal Control *(Continued)*

Disclosure of Material Risks *(Continued)*

Major Risks	Description of Risks	Risk Responses
		• The Company continually optimizes its organizational structure and mechanism process to reduce costs and improving efficiency; • The Company expands sources of income and reduces expenditure while protecting the value of its assets;
Talent management risks	As the Internet, film and television industries rely heavily on talent, the loss of key staff might disrupt the continuity in a certain business area and affect the operating efficiency of the Company.	• The Company is open-minded and remains flexible on talent recruitment. It maintains good business contacts with recruitment media and headhunters to ensure its talent recruitment channels remain unobstructed; • The Company provides a comprehensive system that covers employee training, performance review and promotion, it also offers long-term incentive plans to employees; • By accelerating platform development and reinforcing the education of its corporate values, the Company inspires to create a positive workplace environment and atmosphere.

Statement of the Board regarding the Internal Control Responsibility

Through internal control, the Company aims to reasonably ensure that its operations comply with laws and regulations, its assets remain secure, its financial reports and relevant information are true and complete, while at the same time enhancing operational efficiency and effectiveness, and to facilitate the implementation of development strategies. Internal control procedures have been established to safeguard assets against unauthorized use or disposition, to ensure that proper accounting records are maintained to provide reliable financial information for internal use or publication, while ensuring compliance with applicable laws, rules and regulations. During the Reporting Period, the Company conducted a comprehensive review on its risk management and internal control systems and reported its findings to the Audit Committee and the Board, and no significant deficiencies were identified. The Board believes that during the Reporting Period, the existing risk management and internal control systems of the Company were sufficient and effective in protecting the interests of the Company and its Shareholders.

CORPORATE GOVERNANCE REPORT

External Auditor's Remuneration

During the financial year ended March 31, 2021, the remuneration paid/payable to the Company's external auditor, PwC, is set out as follows:

Services rendered for the Group	Fee paid/payable
Audit services (including annual audit and interim review)	RMB4,000,000
Non-audit services	–
Total	RMB4,000,000

COMPANY SECRETARY

The Company has appointed Ms. Lew Aishan Nicole, as its company secretary. Ms. Lew is not an employee of the Company and Mr. Fan Luyuan, the chairman and chief executive officer of the Company, is the contact person at the Company whom Ms. Lew can contact. The company secretary reports to the chairman of the Company and is responsible for advising the Board on governance matters, new director induction and professional development of the Directors as well as ensuring good information flow between the Board members and the compliance of the policies and procedures of the Board.

During the financial year ended March 31, 2021, Ms. Lew confirmed having received relevant professional training of not less than 15 hours to update their skills and knowledge.

SHAREHOLDERS' RIGHTS

Pursuant to the Bye-laws, Shareholders holding in aggregate not less than 10% of the paid-up capital of the Company shall have the right, by written requisition to the Board or the Company Secretary at 26/F, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition, and such meeting shall be held within two months after the deposit of such requisition.

If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionists or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

Any number of Shareholders representing not less than 5% of the total voting rights of the Company on the date of the requisition or not less than 100 Shareholders are entitled to put forward a proposal for consideration at a general meeting of the Company. The Company shall on the requisition of such number of Shareholders and at the expense of those requisitionists give to the Shareholders notice of any intended resolution and any statement with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. Requisitions for putting forward such proposal at a general meeting should be addressed to the Board or the company secretary at the head office of the Company in Hong Kong; Shareholders should follow the relevant requirements and procedures as set out in Section 79 of the Bermuda Companies Act.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS *(Continued)*

Pursuant to the Bye-Laws, if a shareholder, who is qualified to attend and vote at the general meeting, wishes to propose a person other than a retiring Director for election as a Director at any general meeting, he/she should deposit a written notice of intention to propose such person for election as a Director together with a notice signed by the person of his/her willingness to be elected and lodge the same at the head office of the Company in Hong Kong no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and no later than seven days prior to the date of such general meeting.

Detailed procedures for Shareholders to propose a candidate for election as a Director are available on the Company's website.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Board recognizes the importance of effective communication with the Shareholders and investors. The Board has established a shareholders communication policy setting out strategies that the Company has in place to promote effective communication with its Shareholders with the aim of ensuring Shareholders are provided with information about the Company and enabling them to engage actively with the Company and to exercise their rights as Shareholders in an informed manner.

The Company communicates with the Shareholders and investors through various channels including publication of interim and annual reports, announcements, circulars and other corporate communications and publications available on the websites of the Stock Exchange and/or the Company.

The Company's general meetings are a valuable forum for the Board to communicate directly with the Shareholders. The Company encourages the participation of the Shareholders through AGMs and other general meetings where the Shareholders meet and exchange views with the Board, and to exercise their rights to vote at meetings. The chairman of any independent board committee formed as necessary or pursuant to the Listing Rules (or if no such chairman is appointed, at least a member of the independent board committee) will also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to the independent Shareholders' approval.

The Company held its AGM on September 10, 2020 (the "2020 AGM"). At the 2020 AGM, Mr. Fan Luyuan, the chairman of the Board and the chief executive officer of the Company, was present and was available to answer any questions raised by the Shareholders. A separate resolution is proposed by the chairman of the Board on each substantial issue, including the election of individual Directors, to be considered at the general meetings.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS *(Continued)*

The notice to the Shareholders is to be sent in case of an AGM at least 20 clear business days before the meeting and to be sent at least 10 clear business days in case of any other general meeting. An explanation of the detailed procedures for conducting a poll is provided to the Shareholders at the commencement of the meeting. The Chairman answers any questions from Shareholders regarding voting by way of a poll. The poll results are published in accordance with the requirements of the Listing Rules.

Shareholders may at any time send their enquiries to the Board in writing through the company secretary to the Company's principal place of business in Hong Kong at 26/F, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. Shareholders may also make enquiries with the Board at the general meetings of the Company.

The Bye-laws amended in September 2020 are available on the websites of the Stock Exchange and the Company.

According to the resolutions at the AGM of the Company held on September 10, 2020 and the authorization granted in the resolutions, the amendments to the Company's Bye-laws include the following changes:

(i) allowing all general meetings (including an annual general meeting, any adjourned meeting or postponed meeting) to be held as a physical meeting in any part of the world and at one or more locations, or as a hybrid meeting or an electronic meeting and making the consequential or related amendments;

(ii) clarifying that no Director shall be required to vacate office or be ineligible for re-election or re-appointment as a Director, and no person shall be ineligible for appointment as a Director, by reason only of his having attained any particular age;

(iii) specifying that, unless required otherwise by the Listing Rules, a resolution in writing by a majority of the Directors or members of a committee of the Board (the "Board Committee") or their respective alternates, who are entitled to receive a notice of the Board meeting or Board Committee meeting and vote on the resolution at such meeting, shall be as valid and effectual;

(iv) providing that the Board may resolve to capitalize all or any part of any amount for the time being standing to the credit of any reserve or fund (including the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement; and

(v) other amendments to update or clarify provisions of the Bye-laws where it is considered desirable, to better align with the wordings in the applicable laws of Bermuda and the Listing Rules, to amend for definition consistencies and to correct some typographical errors in the Bye-laws.

For more details, please refer to the circular of the Company dated July 29, 2020.

CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY

The Company has adopted the Dividend Policy that, in recommending or declaring dividends, the Company shall maintain adequate and sufficient cash reserves for meeting its working capital requirements and future growth as well as its shareholder value. The Board has the full discretion to declare and distribute dividends to the Shareholders, and any final dividend for a financial year will be subject to Shareholders' approval.

In proposing any dividend payout, the Board shall also take into account, among other things, the Group's financial results, financial position, cash flow situation, business conditions and strategies, expected future operations and earnings, capital requirements and expenditure plans, interests of the Shareholders, any restrictions on payment of dividends and any other factors the Board may consider relevant. Any payment of the dividend by the Company is also subject to any restrictions under the Companies Act, the Bye-laws and all applicable laws and regulations.

CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code of the Stock Exchange but about promoting and developing an ethical and healthy corporate culture. We will continue to review and, where appropriate, improve our current practices based on our experience, regulatory changes and developments. Any views and suggestions from our Shareholders to promote and improve our transparency are also welcome.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Overview

This report provides information on the Group's efforts and performance in the environmental, social and governance ("ESG") related aspects for the financial year ended March 31, 2021 (the "Reporting Period"). This report has been prepared in accordance with the provisions of the Environmental, Social and Governance Reporting Guide (the "ESG Guide") as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and covers all business operations of the Group. During the Reporting Period, we continued to pursue various initiatives to enhance sustainable development of the Group. These efforts covered regulatory and environmental aspects, employee benefits, as well as engagement with users and key stakeholders. We also took an active part in volunteer work and charitable activities, with an aim to improve the social well-being of the local communities in which we operate.

The Board is responsible for the Group's overall ESG policies and reporting, and all departments within the Group work in collaboration to complete relevant tasks in identifying and reporting on specific ESG risks. The Legal Department is mainly responsible for advising on key legal and regulatory matters to safeguard the Group's interests. It is the responsibility of the Audit Committee to monitor major corporate risks (including the exposure to ESG risks) and to confirm the adequacy and effectiveness of relevant risk management and internal control systems (including those that govern ESG matters) to the Board on a bi-annual basis, while the Internal Audit Department is in charge of the implementation of risk control measures and timely reporting of major risks identified.

Stakeholder Engagement

We view stakeholder engagement as a critical part of achieving sustainable development for the Group. The concerns and opinions of our stakeholders are valued highly by the Group, and we look for ways to maintain regular communication with them through different channels. The following table sets forth details of our stakeholders:

Stakeholders	Requirements and expectations	Communications and actions
Governing/regulatory authorities	– Compliance with laws and regulations – Payment of tax according to law – Business ethics – Support for economic development	– Compliance management – Routine communication and reporting – Payment of tax according to law
Investors	– Financial results – Business development – Information disclosure – Communication channels	– Regular disclosure of financial and operational information – General meetings – Company website, investor relations mailbox
Customers	– Provision of quality products and services – Meeting customers' diversified needs – Feedback channels	– Innovative products and services; constant product and service upgrades – Protection of customer information and privacy – Dedicated customer service

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Engagement *(Continued)*

Stakeholders	Requirements and expectations	Communications and actions
Employees	– Protection of employee interests – Career development – Ensuring occupational health – Work and life balance	– Provision of good remuneration and benefits – Regular performance reviews and feedback – Employee training – Team building activities and budget
Suppliers and business partners	– Open and fair purchases – Compliance with contracts – Business ethics	– Public tenders – Execution of contracts according to laws – Dedicated internal control and risk management
Community and environment	– Engagement in community development – Support for charity causes – Eco-friendly business practices	– Participation in charitable activities – Volunteer service – Increasing resource and energy efficiency

As an internet-driven company that is constantly upgrading its products and services in the fast growing media and entertainment industry, the Company considers the following areas to be important for its sustainable development and will further elaborate on each item in the ESG Report: (i) emissions, (ii) use of resources, (iii) environmental & natural resources, encouraging a paperless working environment, empowered by technology, (iv) employment & labor practices, (v) employee health & safety, (vi) employee development & training, (vii) labor standards, (viii) supply chain management, (ix) product responsibility, (x) anti-corruption, (xi) community investment, and (xii) taking on social responsibility, joining hands with the industry to support the recovery of the film market.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Engagement *(Continued)*

		Measures
A. ENVIRONMENTAL	**A1. Emissions**	Since the Group does not operate any factory, we do not expect to be exposed to significant risks in relation to environmental protection in the course of our operations, such as the emission of exhaust and greenhouse gas, water and land pollution, and the generation of hazardous or non-hazardous waste. Nevertheless, in honor of its long-standing commitment to promoting resource efficiency through eco-friendly operations, the Group has established the following energy-saving measures: • Most of our employees are not assigned desk phones, as they are able to make phone calls on their computers through a software system developed by Alibaba Group. • During the Reporting Period, the headquarters of the Group made use of Alibaba Group's campuses located in Mainland China, where its employees shared various office facilities and equipment with other employees of Alibaba Group. During course of daily administration and office work, only a small amount of non-hazardous waste was generated from such office facilities and equipment, mainly including disused ink cartridges, toner cartridges, computers and light tubes. Such waste was collected and delivered by property management companies of the campuses to qualified third parties for treatment. During the Reporting Period, the Group did not generate any hazardous waste; the relevant laws and regulations on environmental protection and waste discharge in the regions where the Group is located, including the laws and regulations relating to the emission of exhaust and greenhouse gas, water and land pollution, and the generation of hazardous or non-hazardous waste, had no significant impact on the Group's operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Engagement *(Continued)*

	Measures
A2. Use of Resources	Since the Group does not operate any factory, we do not expect to be exposed to significant risks in relation to excessive consumption of water or raw materials. We encourage energy saving measures and green office practices. To create an eco-friendly office space with lower carbon footprint, we have taken the following measures: • To minimize paper usage, the Group's printers are set to duplex printing by default, and one-sided printouts are reused as far as practicable. • To reduce paper cup consumption, only mugs, instead of paper cups, are available for use in our offices. • To prevent water waste, induction faucets have been installed in washrooms of our offices. • The Group encourages the substitution of teleconferencing or videoconferencing for business travels. Employees are encouraged to take public transportation during business trips. • Most of the Group's documents and files are circulated to employees via email and DingTalk, an office software, substantially reducing paper consumption in offices. • In addition to encouraging employees to turn off lights while away, the Group also has in place round-the-clock security services. Security guards turn off lighting devices left on in empty office areas during patrol.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Engagement *(Continued)*

	Measures
A2. Use of Resources *(Continued)*	• As part of the stringent implementation of refuse sorting, general waste generated by the Group, mainly including paper for office use and domestic waste, is treated by property management companies of the office buildings that the Group occupies in accordance with applicable laws and regulations. • The Group is mainly engaged in the creation, promotion and distribution of films and TV dramas, which do not produce large quantities of physically tangible products. Therefore, the Group does not use or consume large quantities of packaging materials. • As the Group does not run any factory, it does not consume significant amount of water. The water facilities provided by the property management companies of the campuses have been connected to the municipal pipeline network, and are sufficient to support the daily operations of the Group. Therefore, there is no need for the Group to take specific measures to source water. • The Group rents office spaces from Alibaba Group in campuses in various cities in the PRC, such as Beijing, Hangzhou, Shanghai and Guangzhou, and shares the water and electricity facilities installed in public areas of the office buildings by property management companies of the campuses with other employees of Alibaba Group. The property management companies of the major campuses in which we are located are unable to maintain separate records of consumption of water, electricity and other resources by the employees of the Group. Therefore, the Group is not able to obtain precise statistics on the exact amount of water, electricity and other resources consumed by its employees, nor is it able to calculate the exact effect of the above-mentioned energy saving and consumption reduction measures on reducing the consumption of water, electricity and other resources.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Engagement *(Continued)*

	Measures
A2. Use of Resources *(Continued)*	• However, the Group has obtained the data of total water and electricity consumption in the major campuses where its employees are located, and calculated the electricity and water consumption attributable to each office cubicle based on the total number of office cubicles on these campuses, and the result is considered as the electricity and water consumption per capita. The total electricity and water consumption of the Group is estimated based on the electricity and water consumption per capita and the number of employees.

Use of resources	April 2020 to March 2021
Electricity consumption per capita (MWh/person)	1.89
Water consumption per capita (tons/person)	13.37
Estimated total electricity consumption (MWh)	1,190.70
Estimated total water consumption (tons)	8,423.10

A3 Environmental & Natural Resources, Encouraging a Paperless Working Environment, Empowered by Technology

Having taken into account the nature of its operations, the Group does not create any substantial impact on environmental and natural resources in carrying out its operations. The relevant PRC laws and regulations on protection of environment and natural resources are not applicable to the Group's operations. The Group is committed to preventing its operations from creating any substantial impact on environmental and natural resources.

- As a company that attaches great importance to environmental protection and promotes green office practices, the Group will continue to adopt any feasible measure, including those set out in A1 "Emissions" and A2 "Use of Resources", so as to minimize the environmental impact of its operations.

- For waste such as used props, our camera crews work in partnership with professional waste transport companies to recycle those that can be reused, and engage refuse stations for on-site treatment of non-reusable waste. In cases where shooting takes place at any conservation areas, with a view to preventing ecological damage, not only will the Company obtain approval from relevant local governing authorities before entering such areas, it will also clean up to restore all sites to their original condition following completion of the shooting.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Engagement *(Continued)*

		Measures
B. SOCIAL	**B1. Employment & Labor Practices**	Attracting and nurturing talents is a cornerstone for the sustainable development of the Group. It is our responsibility to safeguard the basic rights and benefits of our employees, prepare them for further development, create career paths for employees with potential, and provide a good working environment. • The Group strictly complies with the relevant laws and regulations, including *Labor Law of the People's Republic of China*, *Labor Contract Law of the People's Republic of China*, *Implementation Regulations for the Labor Contract Law of the People's Republic of China*, *Employment Ordinance* (Chapter 57 of the Laws of Hong Kong) and various local ordinances on labor protection. During the Reporting Period, there was no breach of relevant laws and regulations in terms of employee recruitment and dismissal, promotion, remuneration, other benefits and entitlements, working hours and rest periods, equal opportunities at work, diversity and anti-discrimination. • The Group enters into employment contracts with all employees, safeguarding the rights and interests of our employees. • The Group has prepared its *Employee Management Policy*, setting out rules for the employee employment, standards on daily work, daily working hours, evaluation, remuneration and benefits, work adjustment and resignation, dismissal, equal opportunities at work, policies on staff diversity, as well as awards and penalties.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Engagement *(Continued)*

	Measures
B1. Employment & Labor Practices *(Continued)*	• At the Group, the concerned department may file an application for recruitment to the head of relevant operations and the Human Resources Department, and the recruitment will only be conducted when it is in line with the employment plan and approval from relevant management personnel has been obtained. Social recruiting is the primary channel of recruitment of the Group. We adhere to the principles of fairness and equality, regardless of gender, age, religious belief etc. of an applicant. The Human Resources Department will verify the identity documents, qualification certificates and past experience of all applicants. Once accepted, the Group will enter into an official employment contract with each applicant to protect his or her rights and interests. • The Group's basic compensation system has been established and maintained in accordance with relevant laws, regulations and market practices. The Group also takes out various social insurance policies for its employees in accordance with relevant local rules, while making available certain bonuses to motivate high performing employees and advance its business initiatives. • The Group takes into account a number of factors in relation to employee promotion, such as: – work performance, competence and potential; – whether the employee concerned puts the corporate's culture and values into practice, and has a positive influence on others; – length of service; – current position or rank; and – any disciplinary violation. The Human Resources Department is in charge of employee promotion, which is subject to evaluation and review by relevant management personnel within the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Engagement *(Continued)*

	Measures
B1. Employment & Labor Practices *(Continued)*	• As provided in the Group's *Employee Management Policy*: working hours are from 09:00 to 18:00 from Mondays to Fridays, with a lunch break between 12:00 and 13:00. • The Group's employees are also entitled to statutory leave in accordance with relevant laws, regulations and company rules, such as annual leave, marriage leave and maternity and paternity leave. The Group has put in place a leave policy, providing its employees with paid leave and encouraging them to plan their leave in a reasonable manner. • Employees may be subject to dismissal if: (a) they commit material breach of the *Employee Management Policy*, such as: – violation of laws, regulations or public ethics; – breach of confidentiality obligations, divulging the Group's trade secrets or private information about its employees or customers; – causing damage to corporate interests; – conflict of interest; – submission of false information, and altering, forging documents or certificates of any kind; – causing material damage to the maintenance of order; and – gross negligence, or failure to perform work tasks in accordance with applicable rules and requirements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Engagement *(Continued)*

	Measures
B1. Employment & Labor Practices *(Continued)*	(b) they commit any of the above offences, causing material loss to the Group, such as: – economic loss; – damages to reputation; – penalty from regulatory authorities; – legal proceedings; – harm to the personal safety of any employee, customer or business partner; – disruption of work or damage to computer network; and – other adverse consequences to the Group. • Adhering to the principles of fairness and equality, the Group provides all employees with equal opportunities, and no employee will be subject to discrimination over personal attributes, such as age, gender or religious belief. The Group has designed a mechanism to facilitate communication among employees at different levels, promote an organizational culture of simplicity and positivity, and encourage employees to fully express their views and recommendations. Our employees are encouraged to report workplace discriminations that may exist to their seniors or the Human Resources Department. • As provided in the Group's *Principles of Business Conduct*, the Group is committed to providing all employees with equal opportunities and fair remuneration packages based on their contributions to the Company. We do not condone discrimination, and our employees are diversified with various differing attributes, such as age, gender, industry background and skills.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

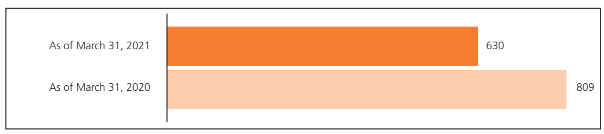
Stakeholder Engagement *(Continued)*

Measures

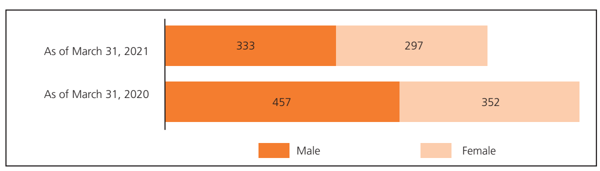
B1. Employment & Labor Practices *(Continued)*

- Following the tradition of Alibaba Group, the Group organizes a celebration at the beginning of each month to award those employees who have completed one year of service a "One-Year Service" badge; it also organizes a celebration on a quarterly basis to award those employees who have completed three years of service a "Three-Year Service" jade pendant. During the Reporting Period, the Company arranged for employees who completed five years of service to attend Alibaba Group's "Fifth Anniversary of Service" ceremony where they were awarded a "Five-Year Service" ring. The Company also invited Alibaba partners who have worked for Alibaba for more than ten years to share their experiences. Through a variety of interactive activities, the Company aims to strengthen employees' sense of identity and belonging, and to maintain a harmonious relationship between employees and the enterprise.

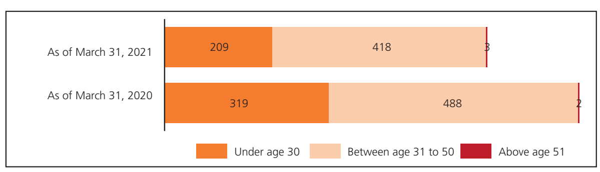
As of March 31, 2021, the number of employees of the Group is as follows:



As of March 31, 2021, the composition of employees of the Group by gender is as follows:



As of March 31, 2021, the composition of employees of the Group by age group is as follows:



Note: For the purpose of this section, the number of employees of the Group does not include that of the Group's independently operated subsidiaries.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Engagement *(Continued)*

	Measures
B2. Employee Health & Safety	The Group has always taken the health of its employees, crew and cast members very seriously, it has therefore taken multiple measures to eliminate occupational hazards, including strictly complying with applicable laws and regulations, such as *Labor Law of the People's Republic of China*, *Labor Contract Law of the People's Republic of China*, *Law of the People's Republic of China on Prevention and Control of Occupational Diseases*, *Law of the People's Republic of China on the Protection of Rights and Interests of Women*, *Special Rules on the Labor Protection of Female Employees*, *Regulation on Work-Related Injury Insurance* and *Employees' Compensation Ordinance* (Chapter 282 of the Laws of Hong Kong). During the Reporting Period, there was no breach of relevant laws and regulations in terms of the provision of a safe workplace and protection to employees against occupational hazards. • To illustrate its concern for employee health and safety, not only does the Group take out insurance policies covering work-related injuries and basic medical expenses for employees in accordance with relevant local laws and regulations, it also offers them the benefit of free physical examination. No work-related fatality was recorded during the Reporting Period. • In addition to the above-mentioned social insurance policies taken out by the Group for its employees in accordance with relevant laws of the PRC and local rules of the cities where the office campuses are located, the Group also provides commercial health insurance to its employees, and offers commercial insurance options to employees and their families at favorable prices at their own expense.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Engagement *(Continued)*

	Measures
B2. Employee Health & Safety *(Continued)*	• The Group agrees with the producers of its film and TV productions in relevant contracts that they shall comply with all laws and regulations on occupational safety, take out medical insurance covering accidental injuries for crew and cast members during the course of shooting, and take responsibility for all safety matters during the entire filmmaking process. • In addition to implementing a sound accountability system for safe production and having in place fire-fighting equipment and fire escapes, the Group also enters into relevant fire security agreements with the shooting sites. • The Group was affected by the multi-point sporadic spread of coronavirus disease 2019 ("COVID-19") pandemic in Beijing in late 2020 and early 2021. In response to the pandemic, and with the aim to safeguard the health of our employees, the Group followed relevant requirements of local government authorities and made timely and adequate preparations under the leadership of the Chairman and senior management, including taking the following measures: – The employees of the Group from the Beijing office campus worked from home and took nucleic acid tests for COVID-19 from December 28 to December 31, 2020; and worked on a rotating A/B shift from January 1, 2021 to February 23, 2021. Employees with even ID numbers worked in office buildings, and those with odd ID numbers worked from home. All Beijing employees have resumed working in the office since February 24, 2021; – The employees of the Group used DingTalk, an office software developed by Alibaba Group to report daily health and physical conditions; – The Human Resources Department of the Group collected information on and paid close attention to the health reports of employees on a daily basis, and provided timely assistance based on demands raised by our employees;

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Engagement *(Continued)*

	Measures
B2. Employee Health & Safety *(Continued)*	– Complied with the requirements imposed by the country and the cities where each office space located for pandemic prevention and control. Only the qualified employees could return to work at the office space; – Employees were required to wear masks in the office; – The property management staff of each office disinfected the space at regular intervals every day; – All employees were required to check their body temperature and their health code before entering the office space. Only employees with normal body temperature and health code were permitted to enter the space; and – Provided free personal protective equipment, including masks and alcohol cotton cloths, to employees, and distributed antiseptic hand sanitizers on each campus. • In order to safeguard the physical health of employees, the Group actively supported COVID-19 vaccination efforts, including: – Organized collective onsite COVID-19 vaccination, under which employees who produced their ID cards could get vaccinated on campus; and – Employees were required to fill in the questionnaire on COVID-19 vaccination status. During the Reporting Period, there was no breach of relevant laws and regulations that caused material impact on the Group in terms of the provision of a safe workplace and protection to employees against occupational hazards. The Group did not receive any report on our employees being confirmed to be infected with the COVID-19.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Engagement *(Continued)*

	Measures
B3. Employee Development & Training	Focused on helping its employees develop all-round competence, the Group provides employees with ample training opportunities to keep improving their professionalism and work capabilities. • All new employees are provided with induction training, through which we aim to promote our corporate values and organizational culture, to fully introduce our business operations, and to help them quickly integrate. • All employees will be offered opportunities to participate in professional training sessions and relevant seminars from time to time, which may be presented by representatives from regulatory authorities, industry experts or our internal management team. • We encourage our employees to develop the ability of continuous learning, which will not only help with their job-related tasks but also benefit their overall personal development. • During the Reporting Period, subject to the impact of the COVID-19, the Group actively carried out live trainings online with the support of tools such as DingTalk, an office software developed by Alibaba Group, and other internal and external office platforms, which boosted training efficiency significantly. • The trainings covered multiple aspects, such as business systems, improvement of skills, data security, clean governance and compliance, as well as our corporate values.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Engagement *(Continued)*

	Measures
B4. Labor Standards	In strict compliance with relevant laws and regulations, including *Labor Law of the People's Republic of China*, *Labor Contract Law of the People's Republic of China*, *Law of the People's Republic of China on the Protection of Minors*, *Compulsory Education Law of the People's Republic of China*, and *Employment Ordinance* (Chapter 57 of the Laws of Hong Kong), the Group prohibits any form of child and forced labor. For recruitment purposes, all employees of the Group are required to provide identity documents to the Human Resources Department for age verification. Employment of individuals aged below 18 years is not permitted under the Group's recruitment policies. During the Reporting Period, there was no breach of relevant laws and regulations in terms of the prevention of child and forced labor.
B5. Supply Chain Management	• The Group takes procurement management very seriously, and sets stringent requirements on the entry, selection and daily management of suppliers, and urges suppliers to improve their environmental and social performance. • The Group adheres to fair operating practices through structured supplier selection processes, which not just lay down specific screening criteria, but also help identify potential risks along the Group's supply chain. • We encourage our suppliers to maintain high standards of business ethics and behavior and satisfactory environmental and social performance. • When selecting and evaluating suppliers, we take into account factors such as quality system, environmental system, and social responsibility management.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Engagement *(Continued)*

	Measures
B5. Supply Chain Management *(Continued)*	• Online services make up a major part of the Group's procurement, such as video promotion and distribution, and copywriting, which do not generate waste or cause environmental pollution. • The Group also conducts a small amount of physical procurement, mainly for on-site service machines. In addition to selecting suppliers on the principle of fairness and equality, the Group also focuses on the issues of environmental protection involved in the process of physical procurement. During the cooperation, the Group requires suppliers to apply national and industry standards on protecting human health as well as personal and property safety. During the Reporting Period, the Group conducted procurement for automatic turnstiles and promoted them to cinemas with the aim of promoting paperless practice in the film industry, helping cinemas to reduce cost and increase efficiency, while contributing to environmental protection. In view of the issues of scraping and recycling associated with the machines when they reach the end of their service life, the Group selects the products of suppliers with the 3C Certification and ROHS Certification in accordance with the requirements of environmental regulations such as *Environmental Protection Law of the People's Republic of China*, *Administrative Measures for the Prevention and Control of Environmental Pollution by Electronic Waste* and *Administrative Measures on License Grant for Treatment Qualification for Waste Electrical Appliances and Electronic Products*. Meanwhile, we select suppliers with "Qualification for the Disposal of Waste Electrical Appliances and Electronic Products" to provide recycling services for discarded machines.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Engagement *(Continued)*

	Measures
B6. Product Responsibility	a. Entertainment content in the form of films or drama series In addition to regulatory and compliance standards with respect to conducting business activities in Mainland China, entertainment content in the form of films or drama series is also required to be reviewed and approved by relevant regulatory authorities before release. The main executive branch of the PRC Government responsible for examining such content is the State Administration of Press, Publication, Radio, Film and Television of the People's Republic of China (SAPPRFT). Relevant laws and regulations mainly include: *Copyright Law of the People's Republic of China* and *Film Industry Promotion Law of the People's Republic of China.* As part of the Group's businesses involve the production, investment and distribution of films and drama series, the Group pays close attention to the general guidelines set forth by the relevant authorities. Such guidelines cover not only films to be publicly released but also those submitted for film festivals and exhibition purposes. If any of the Group's projects is not in compliance with those guidelines due to the inappropriateness of the content deemed by the authorities, it could potentially bring negative impact to the Group's operating results. Therefore, the Group chooses its projects carefully and reviews all documents in the chain of copyright rigorously, to ensure that the Group's productions are not exposed to the risk of copyright infringement. Moreover, the Group has taken a prudent approach to the selection of themes for content production, preferring low-budget films with major emotional appeals that promote positive values, and keeps updated and informed with regards to the latest developments in relevant laws and regulations, so as to maintain the level of the Group's compliance with such laws and regulations. During the Reporting Period, there was no breach of relevant laws and regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Engagement *(Continued)*

	Measures
B6. Product Responsibility *(Continued)*	b. Customer protection, privacy and information security As our online movie ticketing platform, Tao Piao Piao, serves an increasing number of consumers and handles more transactions through continual expansion, the protection of customer information and data security remains a priority for the Group. Meanwhile, with the review, publication and implementation of *Cyber Security Law* and *Personal Information Security Specification* in the PRC, regulatory bodies and the public are also becoming more concerned about privacy issues and the protection of personal data. In order to better protect customer information, the Group has made the following efforts: • Implementation of privacy policy for Tao Piao Piao and Beacon (Tao Piao Piao Pro): making clear to our customers that some data would be obtained in the normal course of providing services to them, and allowing customers to opt to edit or remove their information from our system. • Strengthening the approval process for data collection and disclosure: the Group has installed a control and prevention system through which it reviews and verifies whether products launched are collecting customer information within reasonable bounds. As for the right to access and disclose sensitive information, an employee is required to obtain approval from his/her supervisor before obtaining such right, and in most cases, no information can be disclosed without the approval from data security staff. In the event that such information involves privacy issues, our legal team and senior management team are also required to take part in the evaluation and approval process.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Engagement *(Continued)*

Measures

B6. Product Responsibility *(Continued)*

- Increasing awareness about the importance and security of data: we have utilized various means to enhance the awareness and understanding of information privacy and data security, such as sending updates to our employees through the Group's internal system, putting up posters in office areas, and organizing relevant trainings.

During the Reporting Period, there was no breach of relevant laws and regulations.

c. Internet-based promotion and distribution

- In strict compliance with relevant requirements under *Advertising Law of the People's Republic of China, Trademark Law of the People's Republic of China, Anti-unfair Competition Law of the People's Republic of China, Pricing Law of the People's Republic of China,* and *Interim Provisions on the Regulation of Sales Promotion* issued by the State Administration for Market Regulation, not only does the Group prudently review all promotional materials, it also provides clearly marked signs for closing purposes, with a view to ensuring that customers' internet experience remains unaffected.

- Developed the *Preceding Safety Evaluation System for Tao Piao Piao Safety Review Team, the Internet Rumors and Illegal Supply Chain Information Handling System for Tao Piao Piao Safety Review Team, the Comments Posting Services Management System for Tao Piao Piao Safety Review Team*, and formed a dedicated team to conduct content safety review, ensuring the health and safety of the content and advertisements provided by the platform.

During the Reporting Period, there was no breach of relevant laws and regulations.

The Group is mainly engaged in the businesses of Internet ticketing, promotion and distribution, film content investment, and drama production, hence the product responsibility relating to labelling is not applicable to the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Engagement *(Continued)*

	Measures
B6. Product Responsibility *(Continued)*	d. IP-derivatives development In strict compliance with the requirements under *Law of the People's Republic of China on Protection of the Rights and Interests of Consumers, Product Quality Law of the People's Republic of China, E-Commerce Law of the People's Republic of China and Advertising Law of the People's Republic of China*, the Group adopts a prudent approach in selecting contents for derivatives development. In accordance with the requirements under *Copyright Law of the People's Republic of China* and *Trademark Law of the People's Republic of China*, the Group strictly reviews the copyright and trademark compliance of derivatives, obtains licenses from IP copyright owners in legal ways, and realizes IP values through diversified manners. For different categories of derivatives, the Group 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 strict compliance with the requirements under the following laws: • derivative models, toys, and mystery boxes: *E-Commerce Law of the People's Republic of China* and *Product Quality Law of the People's Republic of China;* • derivative food products: *Food Safety Law of the People's Republic of China;* • derivative cosmetics: *Regulations on Supervision and Administration of Cosmetics;* • derivative audio-visual products: *Regulations on Publication Administration; Regulations on Administration of Audio-visual Products.* During the Reporting Period, there was no breach of relevant laws and regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Engagement *(Continued)*

	Measures
B7. Anti-corruption	Any fraudulent act (including bribery, extortion, fraud and money laundering), will be detrimental to the Group and its stakeholders in damaging their economic interests, reputation and operations. The Group strictly complies with *Criminal Law of the People's Republic of China*, *Anti-unfair Competition Law of the People's Republic of China*, *Interim Provisions on Banning Commercial Bribery*, *Amendment to the Criminal Law of the People's Republic of China*, *Company Law of the People's Republic of China* and *Prevention of Bribery Ordinance* (Chapter 201 of the Laws of Hong Kong). Detailed rules about prohibiting employees from engaging in fraudulent acts and corresponding punitive measures have been set out in our *Employee Management Policy* and *Principles of Business Conduct*. In order to protect the Group against any harm caused by such acts, we have taken the following measures: • The Group has designated an anti-corruption taskforce, which is responsible for investigating and assessing any fraudulent act that has come to its attention, and developing necessary procedures to prevent and identify similar acts. • The Group has provided a number of channels, so that any of its employees or external business partners can effectively report any suspected fraudulent act. One of such channels is a dedicated mailbox set up for this purpose, which is available on the Group's website. • All employees and business partners are encouraged to report any genuine concern about fraudulent acts. The whistle-blowers' identities are protected as part of our standard protocol. • If any employee is found to have committed malpractice or fraud, then appropriate disciplinary actions would be applied, including different types of warnings/penalties and outright dismissal. In cases where the offense violates any relevant laws or regulations, such cases will be reported to relevant authorities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Engagement *(Continued)*

	Measures
B7. Anti-corruption *(Continued)*	• We provide informative materials and company policies on standards of business ethics at a designated page in our intranet, which our employees can access easily. From time to time, we also share real-life cases of inappropriate actions on this page, aiming to educate all of our employees and demonstrate the Group's continual efforts in fighting fraudulent and corruptive acts. • Our employees are required to pass an annual principles of business conduct examination which includes questions on anti-corruption. During the Reporting Period, the Group has strictly complied with all relevant laws and regulations on bribery, extortion, fraud and money laundering. • During the Reporting Period, the Internal Audit Team together with the Clean Governance Team of the Group carried out 4 trainings on clean governance and compliance. All major business teams and studios of the Group participated in the trainings. During the Reporting Period, the Group strictly complied with all relevant laws and regulations on bribery, extortion, fraud and anti-money laundering, and there was no breach of relevant laws and regulations.
B8. Community Investment	The Group highly values its social responsibilities, and encourages employees to actively participate in charitable activities. • The Group has adopted the "three hours per person per year" charitable initiative from Alibaba Group. Each employee is encouraged to contribute at least three hours of volunteer services each year. Employees may choose to volunteer in charitable activities organized either by the Company or third-party charity foundations. The number of hours of volunteering can be filed in our internal system and is also displayed prominently on employees' profiles.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Engagement *(Continued)*

	Measures
B8. Community Investment *(Continued)*	• During the Reporting Period, the Group organized a number of charitable activities, including shooting charity films, organizing financial aid for students, supporting protection of young girls, conducting education on preventing child abduction, and participating in a charity movie on poverty alleviation through e-commerce. • "Engaging in charity through a commercial approach" is Alibaba Pictures' basic attitude towards charity. Charity is valued greatly by Aliren (Alibaba employees), and Alibaba Pictures is committed to making concrete contributions and bringing kindness and positive energy to the public. During the Reporting Period, our employees contributed at least 1,890 hours of volunteer services in charitable activities.
B9. Taking on Social Responsibility, Joining Hands with the Industry to Support Recovery of the Film Market	COVID-19 has brought extensive and significant impact on the film and television industry. In response to the situation, the Group has implemented various measures and joined hands with industry partners to support recovery of the film market. • In order to help cinemas resume operation and production, the Group provided them with various support in various aspects, such as funds, materials and technologies. • Multiple online marketing products were launched and online release events were held in cooperation with Taobao Live and Youku. • The Group's "Yunzhi" platform rapidly developed a function for setting of social distancing ticketing with one click, allowing it to put into use right after the resumption of operation to improve cinemas' efficiency in ticketing management in such period when prevention and control were normalized, and to ensure the health and safety of the audience. • Cloud Production, a production management system of the Group, solved the issues involved in preparation and film review through online digitalized management for dozens of crews, allowing film producers to work during the pandemic.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Shareholders of Alibaba Pictures Group Limited
(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of Alibaba Pictures Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 137 to 245, which comprise:

- the consolidated balance sheet as at March 31, 2021;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at March 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

INDEPENDENT AUDITOR'S REPORT

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Goodwill impairment assessment
- Impairment assessment of film and TV rights
- Impairment assessment of investments accounted for using the equity method
- Expected credit losses assessment of trade receivables

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter

Goodwill impairment assessment

Refer to Note 4(a) to the consolidated financial statements – Critical accounting estimates and judgments and Note 15 – Goodwill and intangible assets.

For the purpose of the annual impairment assessment of goodwill, management determined the recoverable amounts of all the Group's goodwill based on value in use ("VIU"), which is the present value of the future cash flows expected to be derived from the Group's cash generating units ("CGUs").

We focused on this area due to the size of the goodwill balance (RMB3,551.1 million as at March 31, 2021), and because management's assessment of the recoverable amounts of the Group's CGUs that include the respective goodwill involved significant judgment on the use of estimates.

Our procedures on management's goodwill impairment assessment mainly included:

- Assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud;
- Understood and evaluated the key controls relating to management's assessment on the impairment of goodwill;
- Evaluated the competency, capabilities and objectivity of the independent external valuer by checking the valuer's related qualification and credentials in similar impairment assessment projects;
- Tested the consistency and reasonableness of the data used and challenged management's key assumptions adopted in the future cash flow forecasts, mainly in relation to:
  - the gross merchandise value ("GMV"), forecasted sales, gross margin and the ratio of market promotion expenses to GMV, by comparing them with actual historical financial data of these CGUs. For the growth rate of GMV and forecasted sales, we also compared to future market growth rate as forecasted and sourced from external parties;
  - the long term revenue growth rates, by comparing them with the relevant economic and industry forecasts, including certain forecasts sourced from external parties; and
  - the discount rates, by comparing them with costs of capital of comparable companies;

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Goodwill impairment assessment *(Continued)*	• Evaluated the historical estimation accuracy of the cash flow forecast by comparing the forecast used in the prior year to the actual performance of the subsidiaries' businesses in the current year; • Tested the mathematical accuracy of the calculations of the recoverable amounts of these CGUs; and • Evaluated management's sensitivity calculation over the recoverable amounts of these CGUs. Focusing on those few key assumptions to which the calculation was most sensitive, we calculated the degree to which each of these key assumptions would need to change before an impairment conclusion was triggered and discussed the likelihood of such a movement with management. Based on the above, we considered that the significant judgments and estimates made by management were supportable by the evidence obtained and procedures performed.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of film and TV rights	
Refer to Note 4(b) to the consolidated financial statements – Critical accounting estimates and judgments and Note 19 – Film and TV rights and investments. As at March 31, 2021, the net book value of the Group's film and TV rights amounted to RMB1,221 million. An impairment loss of RMB24.1 million was recognized during the year ended March 31, 2021. Management exercised significant judgment in assessing the impairment of film and TV rights. In making such assessment, management considered all factors that may affect the future production plans and distribution plans, and exercised judgment in developing its expectation for the future net cash flows from these film and TV rights. The impairment assessment of film and TV rights was an area of focus for us given the inherent uncertainties of the future production plans, marketability and estimated net cash flows of the films and TV dramas, and the significant amount of the related balance.	1. Regarding management's estimated future net cash inflows for recoverability assessment of the film and TV rights for which production has been completed, we performed the following procedures, based on the risk profile and significance of the individual balances: • Assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • Understood and evaluated the design and operating effectiveness of the internal controls over the impairment assessment of film and TV rights for which production has been completed; • Evaluated the historical accuracy of impairment assessment of film and TV copyrights to assess the effectiveness of management's estimation process by comparing the carrying amount in the prior period against the respective actual performance during the year, if any; • Checked the existence of the distribution licenses for screening of the films and broadcasting of the TV dramas through public and official website of the National Radio and Television Administration; • Discussed with management to understand the basis of the estimated cash flow projections; • Evaluated the reasonableness of the estimated revenue, distribution costs and other cost information prepared by management on a sample basis by: – for overseas films, corroborating such information to that provided by the relevant film producers; – examining the signed sales contracts of film and TV dramas; and – comparing the estimated box office, budgeted distribution and other costs of films or sales information of TV dramas with historical data of comparable films or TV dramas invested by the Group. • Tested the mathematical accuracy of the calculations of the estimated future net cash flows of films and TV rights on a sample basis.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of film and TV rights *(Continued)*	2. Regarding management's recoverability assessment of the film and TV rights for which production has yet to be completed, we performed the following procedures, based on the risk profile and significance of the individual balances: • Assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • Understood and evaluated the design and operating effectiveness of the internal controls over the impairment assessment of film and TV rights for which production has yet to be completed; • Evaluated the historical accuracy of impairment assessment of film and TV copyrights to assess the effectiveness of management's estimation process by comparing the carrying amount in the prior period against the respective actual performance during the year, if any; • Examined the purchase contracts and related production contracts to check the validity of the purchased copyrights, and discussed with the management to understand their future production plans and distribution plans, which are the basis of future cash flow projections; • Performed specific inquiries with management about the major crew members and their background, experience and profile, and performed relevant search through external sources on media coverage on the related popularity of the original creators of the copyrights and the contents and topics of the in production film/TV dramas to corroborate with management's production and distribution plans; • Evaluated the future cash flow projections about the reasonableness of key estimates on future revenue, distribution costs and other cost information by comparing to historical data of comparable films or TV dramas invested by the Group; and • Tested the mathematical accuracy of the calculations of the estimated future net cash flows of films and TV rights on a sample basis. Based on the above, we considered that the significant judgments and estimates made by management were supportable by the evidence obtained and procedures performed.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of investments accounted for using the equity method	
Refer to Note 4(c) to the consolidated financial statements – Critical accounting estimates and judgments and Note 13 – Investments accounted for using the equity method. As at March 31, 2021, the net book value of the Group's investments accounted for using the equity method amounted to RMB2,075 million. An impairment loss of RMB90 million was recognized during the year ended March 31, 2021. Investments accounted for using the equity method were subject to impairment assessment when there was an indication of impairment. In carrying out the impairment assessment, significant judgments were required to estimate the present values of the Group's share of the future cash flows of the invested entities to determine the recoverable amounts. These judgments were exercised in making the assumptions, such as the forecasted revenue, gross margin, working capital turnover rates and long term growth rates used to prepare the cash flow projections of the invested entities, and the discount rates applied to calculate the present values of the future cash flows. The impairment assessment of investments accounted for using the equity method was an area of focus for us given the significant management judgment and assumptions involved in determining the recoverable amounts, and the significant amount of the related balance.	Our procedures on the impairment assessment of the investments accounted for using the equity method mainly included: • Assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • Understood and evaluated the design and operating effectiveness of the internal controls over assessing the impairment of investments accounted for using the equity method; • Evaluated the reasonableness of management's assessment as to whether any indicator of impairment existed during the year ended March 31, 2021; • Assessed the appropriateness of the valuation methodology used; • Evaluated the reasonableness of the key assumptions used by management in the determination of value in use of investments, mainly in relation to the forecasted revenue, gross margin and working capital turnover rates, by comparing them with actual historical financial data and market data; the long term growth rate, by comparing it with the relevant economic forecasts; and the discount rates, by comparing the rates used by the Group to those of comparable companies; and • Tested the mathematical accuracy of the calculations in the recoverable amounts of the investments. Based on the above, we considered that the significant judgments and estimates made by management were supportable by the evidences obtained and procedures performed.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Expected credit losses assessment of trade receivables	
Refer to Note 4(d) to the consolidated financial statements – Critical accounting estimates and judgments and Note 21 – Trade and other receivables, and prepayments. As at March 31, 2021, the net book value of the Group's trade receivables amounted to RMB1,537.8 million. Net reversal of loss allowances of RMB105.7 million were recognized during the year ended March 31, 2021. Allowance for impairment of trade receivables reflected management's best estimate to determine the expected credit losses. The estimate required significant management judgment in making assumptions about the risks and probabilities of defaults and the expected credit loss rates, which were based on historical credit losses and adjusted to reflect current and forward looking information. For trade receivables that do not share same risk characteristics with others, management assessed their expected credit losses on an individual basis. For trade receivables that share same risk characteristics with others, management calculated the expected credit losses using the roll rate model. The model first grouped the customers based on their different risk characteristics, and then recalculated their respective historical credit loss information. The model further incorporated economic polices, macroeconomic conditions, industry risks and forward-looking adjustments to reflect management's forecasts of macroeconomic factors in different scenarios as this affects the customers' ability to settle the receivables. Management needed to exercise significant judgments in assessing the expected credit losses of the trade receivables, therefore it was identified as an area of focus for the audit.	Our procedures in relation to management's assessment on the expected credit losses of trade receivables mainly include: • Assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • Understood and evaluated the design and operating effectiveness of the internal control over assessing the expected credit losses of trade receivables; • Evaluated the outcome of prior period assessment of provision for loss allowances of trade receivables to assess the effectiveness of management's estimation process by comparing the expected credit losses in the prior year to the actual collection performance of debtors in the current year; • Assessed the reasonableness of methods and assumptions used and judgments made by management by (1) assessing the appropriateness of the expected credit loss provisioning methodology, (2) inquiring management regarding the credit worthiness of customers, (3) analyzing historical payment pattern of customers, (4) checking the accuracy, on a sample basis, of the key data inputs such as the aging schedule of trade receivables, (5) testing the accuracy of the calculations of expected credit loss rates based on the historical loss and forward-looking information, and (6) evaluating the reasonableness of the forward-looking adjustments made by management; and • Tested the mathematical accuracy of the calculation of the expected credit losses. Based on the above, we considered that the significant judgments and estimates made by management were supportable by the evidence obtained and procedures performed.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The Directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ng Ping Fai.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, June 9, 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	For the year ended March 31, 2021 RMB'000	2020 RMB'000
Revenue	5	**2,858,897**	2,874,694
Cost of sales and services	8	**(1,471,489)**	(1,307,950)
Gross profit		**1,387,408**	1,566,744
Selling and marketing expenses	8	**(438,674)**	(1,016,680)
Administrative expenses	8	**(870,013)**	(1,044,142)
Impairment losses on financial assets, net	3.1(b)	**(143,844)**	(381,717)
Other income	6	**47,345**	60,694
Other gains/(losses), net	7	**(89,750)**	(166,151)
Operating loss		**(107,528)**	(981,252)
Finance income	10	**102,292**	184,516
Finance expenses	10	**(18,746)**	(52,643)
Finance income, net		**83,546**	131,873
Share of loss of investments accounted for using the equity method	13	**(3,751)**	(46,186)
Impairment of investments accounted for using the equity method	13	**(90,254)**	(241,051)
Loss before income tax		**(117,987)**	(1,136,616)
Income tax credit/(expense)	11	**802**	(29,200)
Loss for the year		**(117,185)**	(1,165,816)
Loss attributable to:			
Owners of the Company		**(96,311)**	(1,150,570)
Non-controlling interests		**(20,874)**	(15,246)
Loss per share for loss attributable to owners of the Company for the year *(expressed in RMB cents per share)*	12		
– Basic		**(0.36)**	(4.35)
– Diluted		**(0.36)**	(4.35)

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

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:		
Items that may be reclassified to profit or loss		
Currency translation differences attributable to owners of the Company	**(162,860)**	77,292
Items that may not be reclassified to profit or loss		
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)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

		As at March 31	
		2021	2020
	Note	**RMB'000**	RMB'000
Assets			
Non-current assets			
Property, plant and equipment	14	**62,113**	73,575
Investment property	17	**22,562**	–
Goodwill	15	**3,551,116**	3,551,116
Intangible assets	15	**126,461**	141,090
Right-of-use assets	16	**244,868**	282,261
Deferred income tax assets	28	**11,453**	13,054
Investments accounted for using the equity method	13	**2,075,319**	2,205,079
Film and TV rights and investments	19	**221,413**	226,666
Financial assets at fair value through profit or loss	18	**1,131,683**	860,883
Trade and other receivables, and prepayments	21	**691,847**	802,593
		8,138,835	8,156,317
Current assets			
Film and TV rights and investments	19	**1,305,498**	1,593,065
Trade and other receivables, and prepayments	21	**2,171,718**	1,661,367
Current income tax recoverable		**946**	2,295
Financial assets at fair value through profit or loss	18	**7,000**	250,750
Cash and cash equivalents	22	**3,897,802**	4,004,528
Bank deposits with the maturity over three months	22	**–**	159,496
Restricted cash	22	**19,083**	20,061
		7,402,047	7,691,562
Total assets		**15,540,882**	15,847,879

CONSOLIDATED BALANCE SHEET

	Note	As at March 31 2021 RMB'000	2020 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	27	**15,000**	384,435
Deferred income tax liabilities	28	**62,657**	70,216
Lease liabilities	16	**247,513**	272,176
Trade and other payables, and accrued charges	26	**–**	3,000
		325,170	729,827
Current liabilities			
Trade and other payables, and accrued charges	26	**1,252,279**	963,769
Contract liabilities		**61,297**	131,939
Current tax liabilities		**243**	–
Borrowings	27	**15,000**	10,000
Lease liabilities	16	**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	23	**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

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 137 to 245 were approved by the Board of Directors on June 9, 2021 and were signed on its behalf.

Fan Luyuan
Executive Director & Chairman

Meng Jun
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company										
		Share capital	Share premium	Shares held for share award scheme	Other reserve	Shareholder's contribution reserve	Translation reserve	Share-based compensation reserve	Accumulated losses	Total	Non-controlling interests	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended March 31, 2020												
As at April 1, 2019		5,377,988	13,223,637	(235,906)	(1,071,288)	48,527	(85,019)	225,840	(2,627,336)	14,856,443	95,752	14,952,195
Loss for the year		–	–	–	–	–	–	–	(1,150,570)	(1,150,570)	(15,246)	(1,165,816)
Other comprehensive income for the year:												
Currency translation differences		–	–	–	–	–	77,292	–	–	77,292	(2,412)	74,880
Total comprehensive loss for the year		–	–	–	–	–	77,292	–	(1,150,570)	(1,073,278)	(17,658)	(1,090,936)
Exercise of share options under share option scheme	23	889	4,860	–	–	–	–	(1,738)	–	4,011	–	4,011
Issuance of shares under share award scheme	23	42,775	130,037	(172,812)	–	–	–	–	–	–	–	–
Shares purchased for share award scheme		–	–	(2,735)	–	–	–	–	–	(2,735)	–	(2,735)
Shares vested under share award scheme		–	–	52,745	–	–	–	(52,745)	–	–	–	–
Value of employee services provided under share option scheme and share award scheme	24	–	–	–	–	–	–	113,878	–	113,878	–	113,878
Value of employee services provided in relation to share-based payment transactions with Alibaba Group Holding Limited ("AGH")	24	–	–	–	–	–	–	57	–	57	–	57
As at March 31, 2020		5,421,652	13,358,534	(358,708)	(1,071,288)	48,527	(7,727)	285,292	(3,777,906)	13,898,376	78,094	13,976,470

	Note	Attributable to owners of the Company										
		Share capital	Share premium	Shares held for share award scheme	Other reserve	Shareholder's contribution reserve	Translation reserve	Share-based compensation reserve	Accumulated losses	Total	Non-controlling interests	Total
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
For the year ended March 31, 2021												
As at April 1, 2020		**5,421,652**	**13,358,534**	**(358,708)**	**(1,071,288)**	**48,527**	**(7,727)**	**285,292**	**(3,777,906)**	**13,898,376**	**78,094**	**13,976,470**
Loss for the year		–	–	–	–	–	–	–	**(96,311)**	**(96,311)**	**(20,874)**	**(117,185)**
Other comprehensive loss for the year:												
Currency translation differences		–	–	–	–	–	**(162,860)**	–	–	**(162,860)**	**(3,438)**	**(166,298)**
Total comprehensive loss for the year		–	–	–	–	–	**(162,860)**	–	**(96,311)**	**(259,171)**	**(24,312)**	**(283,483)**
Exercise of share options under share option scheme	23	**2,871**	**13,358**	–	–	–	–	**(5,164)**	–	**11,065**	–	**11,065**
Shares purchased for share award scheme		–	–	**(5,991)**	–	–	–	–	–	**(5,991)**	–	**(5,991)**
Shares vested under share award scheme		–	–	**100,382**	–	–	–	**(100,382)**	–	–	–	–
Value of employee services provided under share option scheme and share award scheme	24	–	–	–	–	–	–	**142,042**	–	**142,042**	–	**142,042**
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	**(2,165)**	**(2,165)**
As at March 31, 2021		**5,424,523**	**13,371,892**	**(264,317)**	**(1,071,288)**	**48,527**	**(170,587)**	**321,788**	**(3,874,217)**	**13,786,321**	**51,617**	**13,837,938**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the year ended March 31, 2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operating activities	30(a)	**268,516**	(765,593)
Income tax paid		**(3,564)**	(10,555)
Net cash inflow/(outflow) from operating activities		**264,952**	(776,148)
Cash flows from investing activities:			
Change in investments in wealth management products, net		**243,750**	(59,383)
Change in bank deposits with the maturity over three months		**120,772**	658,021
Interest received		**84,535**	89,620
Investment interest received on investments in wealth management products		**4,816**	7,907
Proceeds from derecognition of unlisted investments	3.3	**4,450**	–
Proceeds from disposal of property, plant and equipment		**3**	398
Purchase of Intangible assets		**(179)**	(1,030)
Payment of acquisition of a subsidiary		**(4,000)**	–
Loans granted to an associate	32(d)	**(20,000)**	–
Purchases of property, plant and equipment and investment property		**(22,279)**	(10,813)
Increase in unlisted equity investments	3.3	**(357,500)**	(18,219)
Proceeds from repayment of principal of convertible bonds		**–**	1,000,000
Interest received on convertible bonds		**–**	146,800
Change in bank deposits with the maturity over one year		**–**	50,000
Proceeds from loan repayment of a joint venture		**–**	9,400
Investment in joint ventures		**–**	(68,890)
Loans granted to third parties		**–**	(138,320)
Net cash inflow from investing activities		**54,368**	1,665,491

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the year ended March 31, 2021 RMB'000	2020 RMB'000
Cash flows from financing activities			
Exercise of share options under share option scheme		**11,065**	4,011
Dividends paid to non-controlling interests		**(2,165)**	–
Interest paid		**(5,874)**	(29,653)
Shares purchased for share award scheme		**(5,991)**	(2,735)
Principal and interests elements of lease payments		**(21,239)**	(32,363)
Repayment of borrowings	27	**(363,550)**	(359,435)
Net cash outflow from financing activities		**(387,754)**	(420,175)
Net (decrease)/increase in cash and cash equivalents		**(68,434)**	469,168
Cash and cash equivalents at beginning of the year		**4,004,528**	3,341,470
Exchange effect on cash and cash equivalents		**(38,292)**	193,890
Cash and cash equivalents at end of the year		**3,897,802**	4,004,528

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 listed 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

2.3 Subsidiaries

2.3.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries *(Continued)*

2.3.1 Consolidation *(Continued)*

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(a) Control over subsidiaries arising from contractual arrangements

The Group's wholly-owned subsidiaries have entered into certain contractual arrangements (the "Contractual Arrangements") with 中聯京華文化傳播(北京)有限公司 ("Zhonglian Jinghua"), 北京阿里淘影視文化有限公司 ("Beijing Ali Tao") and 上海淘票票影視文化有限公司 ("Shanghai Tao Piao Piao"), (together, Zhonglian Jinghua, Beijing Ali Tao and Shanghai Tao Piao Piao are referred to as the "OPCOs") respectively, and their equity holders, which enable the Group to:

– exercise effective financial and operational control over the OPCOs;

– exercise equity holders' voting rights of the OPCOs;

– receive substantially all of the economic interest returns generated by the OPCOs.

The Group does not have any equity interest in the OPCOs. However, as a result of the Contractual Arrangements, the Group has rights to receive variable returns from its involvement with the OPCOs and has the ability to affect those returns through its power over the OPCOs and is considered to control the OPCOs. Consequently, the Company regards the OPCOs as indirect subsidiaries under HKFRS 10. The Group has consolidated the financial position and results of the OPCOs in the consolidated financial statements of the Group.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over the OPCOs and uncertainties presented by the People's Republic of China (the "PRC") legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the OPCOs. The Directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries *(Continued)*

2.3.1 Consolidation *(Continued)*

(b) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets acquired, the difference is recognized directly in profit or loss as a bargain purchase.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries *(Continued)*

2.3.1 Consolidation *(Continued)*

(b) Business combinations (Continued)

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

2.3.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Associates and joint arrangements

(a) Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (c) below), after initially being recognized at cost.

(b) Joint arrangements

Under HKFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method (see (c) below), after initially being recognized at cost.

(c) Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income ("OCI"). Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.10.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Associates and joint arrangements *(Continued)*

(c) Equity method (Continued)

Gains or losses on dilution of equity interest in associates are recognized in the consolidated statement of profit or loss.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company that makes strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional currency and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses are presented in the consolidated statement of profit or loss within 'finance income' or 'finance expenses'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Foreign currency translation *(Continued)*

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each financial statements presented are translated at the closing rate at the date of that financial statements;

(ii) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognized in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

–	Leasehold improvements	Shorter of remaining lease term or useful life
–	Motor vehicles	4 years
–	Furniture, fittings and equipment	3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other gains/(losses), net' in the consolidated statement of profit or loss.

2.8 Investment property

Investment property, a serviced apartment, is held for long-term rental yields. Investment property is initially measured at cost, including related transaction costs. Depreciation on investment property is calculated using the straight-line method to allocate the cost to residual values over 20 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Intangible assets

(a) Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use ("VIU") and the fair value less costs of disposal ("FVLCD"). Any impairment is recognized immediately as an expense and is not subsequently reversed.

(b) Licences

Separately acquired licences are shown at historical cost. Licences acquired in a business combination are recognized at fair value at the acquisition date.

Licences for production and distribution of television drama series, television programs and films in the PRC have indefinite useful lives. The renewal of these licences are subject to the approval of the relevant bureau. In the opinion of the Directors of the Company, the renewal of these licences will continue to be approved with minimal costs and accordingly, they are deemed to have indefinite lives. These intangible assets will not be amortized until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication they may be impaired (Note 2.10).

Licences with a finite useful life are related to ticketing systems, which are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives of 15 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Intangible assets *(Continued)*

(c) Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of 1 to 12 years.

(d) Other intangible assets

Separately acquired other intangible assets are shown at historical cost. Other intangible assets acquired in a business combination are recognized at fair value at the acquisition date.

Other intangible assets have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of intangible assets over their estimated useful lives of 3 to 11 years.

2.10 Impairment of non-financial assets

Intangible assets that have an indefinite useful life, including goodwill and licences for production and distribution of television drama series, television programs and films and intangible assets that are not available for use, are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's FVLCD and VIU. For the purposes of assessing impairment, assets are grouped at the lowest levels of CGUs for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on the trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Financial assets *(Continued)*

Debts instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income or other income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in 'other gains/(losses), net'. Impairment losses are presented as a separate line item in the consolidated statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in 'other gains/(losses), net'. Interest income from these financial assets is included in other income using the effective interest rate method. Impairment expenses are presented as a separate line item in the consolidated statement of profit or loss.

- FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net within 'other gains/(losses), net' in the period in which it arises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Financial assets *(Continued)*

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as 'other income' when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognized in 'other gains/(losses), net' in the consolidated statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Film and TV rights and investments

(a) Film and TV rights

These represent legal rights of films, television programs and television drama series acquired and invested by the Group. Costs of film and TV rights comprise fees/investments paid and payable under agreements, direct costs/expenses incurred during the production of films and TVs, and fees for the reproduction films and TVs. Depending on the expected use of these rights, they are treated either as intangible assets or inventory.

For the film and TV rights treated as intangible assets, they are stated at cost less accumulated amortization and impairment loss. Amortization is calculated using the straight-line method to allocate the cost of film and TV rights over their estimated useful lives which are determined based on individual title basis and generally ranged from within 1 to 3 years after the showing of the respective films, or the delivery of master tapes of the respective TVs. Impairment assessment of the film and TV rights is assessed on an annual basis or whenever events or changes in circumstances indicate that the carrying amount is below the recoverable amount; where relevant, an impairment loss is recognized to reduce the asset to its recoverable amount. Such impairment loss is recognized in the consolidated statement of profit or loss. The recoverable amounts of the film and TV rights are determined and reviewed on a title-by-title basis and are based on the higher of FVLCD and VIU which include unobservable inputs and assumptions derived by the Group.

For the film and TV rights treated as inventory, they are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(b) Film and TV investments

The Group has certain investments in film and TV production projects which entitles the Group to receive a fixed and/or variable income based on the Group's investment amount and expected rate of return as specified in the respective film and TV investment agreements. The investments are carried at amortized cost if their cash flows represent solely payments of principal and interest. All other investments that are not solely payments of principal and interest are carried at fair value and included in 'film and TV rights and investments' in the consolidated balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Film deposits

Film deposits comprise deposits paid for the acquisition of film and TV rights and deposits paid to production houses and/or directors prior to the production of films which are included in 'trade and other receivables, and prepayments' in the consolidated balance sheet. Impairment loss for film deposits is made to the extent that the deposits are not expected to generate any future economic benefits to the Group.

Prepaid film deposits under film cooperation agreements are transferred to film and TV rights upon commencement of production of the related films or TVs.

2.15 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade receivables is expected within 1 year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore subsequently measured at amortized cost using the effective interest method. See Note 21 for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the Group's impairment policies.

2.16 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

2.17 Share capital and shares held for share award scheme

Share capital is classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company's shares are issued to or acquired from the market by the Company's share award trust (the "Share Award Trust") under the share award scheme (the "Share Award Scheme"), the total fair value of shares issued or total consideration of shares acquired from the market (including any directly attributable incremental costs) is presented as 'shares held for Share Award Scheme' and deducted from total equity. Upon vesting, the related costs of the vested shares for share award scheme issued or purchased from the market are credited to 'shares held for share award scheme', with a corresponding decrease in share-based compensation reserve for the Share Award Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within 1 year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.19 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.20 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognized in the consolidated statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Current and deferred income tax *(Continued)*

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.22 Employee benefits

(a) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly administered pension insurance plans on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits as at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(c) Bonus plans

The Group recognizes a liability and an expense for bonuses, where contractually obliged or where there is a past practice that has created a constructive obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Share-based payments

Equity-settled share-based payment transactions

(a) Share Option Scheme

The Group operates a number of equity-settled share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holdings shares for a specified period of time).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss, with a corresponding adjustment to equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Share-based payments *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

(a) Share Option Scheme (Continued)

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

Where the options are forfeited prior to the vesting date due to a failure by the employee to satisfy the service conditions, any expenses previously recognized in relation to such options are reversed on the effective date of the forfeiture. No further adjustments should be made after the vesting date, regardless of whether the options are forfeited later.

(b) Share Award Scheme

The fair value of restricted share units granted to employees for nil consideration under the Share Award Scheme is recognized as an expense over the relevant service period. The fair value is measured at the grant date of the shares and is recognized in equity in the share-based compensation reserve. The number of shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at the end of each reporting period and adjustments are recognized in profit or loss and the share-based compensation reserve.

Where shares are forfeited prior to the vesting date due to a failure by the employee to satisfy the service conditions, any expenses previously recognized in relation to such shares are reversed on the effective date of the forfeiture. No further adjustments should be made after the vesting date, regardless of whether the shares are forfeited later.

The deferred shares are issued to or acquired by the Company's Share Award Trust on market and are held for the Share Award Scheme until such time as they are vested (see Note 2.17).

The Share Award Scheme is administered by the Share Award Trust, which is consolidated in accordance with the principles in Note 2.17. When the shares are exercised, the trust transfers the appropriate number of shares to employees. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Provision

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.25 Revenue recognition

Revenue is measured when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer, or
- creates and enhances an asset that the customer controls as the Group performs, or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The Group uses the output methods to measure the progress towards that, recognizing revenue based on direct measurements of the value transferred to the customer. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Revenue recognition *(Continued)*

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates the transaction price to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgments on these assumptions and estimates may impact the revenue recognition.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due from the customer).

Accounting policies for the Group's revenue sources

The Group principally derives revenue from promotion and distribution, cinema ticketing management and data services, content production, IP licensing, sale of cinema admission tickets, and artist management services.

(1) Revenue from provision of services (including online movie ticketing related services, distribution and promotion services, ticketing system related services, advertising services and advisory services) is recognized in the accounting period in which the services are rendered as the customer consumed the services simultaneously.

(2) Revenue from share of box office of film is recognized when the film is shown and the right to receive payment is established.

(3) Revenue from the licensing and sub-licensing of film and TV rights is recognized upon the delivery of the master tapes to the customers, in accordance with the terms of the underlying contracts.

(4) Income from film and TV investments (see Note 2.13(b)) are recognized in profit or loss when the right to receive payment is established.

(5) Revenue from the licensing and sub-licensing of IP is recognized when the license is used by the customer and the right to receive payment is established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Revenue recognition *(Continued)*

Accounting policies for the Group's revenue sources *(Continued)*

(6) Revenue from cinema admission tickets sold is recognized when tickets are accepted and consumed by the customer. Revenue from tickets sold for use at a future date is deferred until the tickets are consumed or have expired.

(7) Revenue from provision of artist management services are recognized when the services are rendered. Payments for artist management services are not due from the customers until the services are completed.

2.26 Interest income

Interest income on financial assets at FVTPL is included in 'other gains/(losses), net' as part of change in fair value, see Note 7 below.

Interest income on financial assets at amortized cost calculated using the effective interest method is recognized in the statement of profit or loss as part of 'other income', see Note 6 below.

Interest income is presented as 'finance income' where it is earned from financial assets that are held for cash management purposes, see Note 10 below. Any other interest income is included in 'other income'.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

– the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

– the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.28 Dividend income

Dividends are received from financial assets measured at FVTPL and at FVOCI. Dividends are recognized as 'other income' in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognized in 'OCI' if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.29 Lease

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar security and conditions.

Please see Note 2.2 for further details about early adoption of the amendment to HKFRS 16 on COVID-19-Related Rent Concessions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.29 Lease *(Continued)*

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and

- makes adjustments specific to the lease, eg term, country, currency and security.

Lease payments are allocated between principal and finance expenses. The finance expenses are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,

- any lease payments made at or before the commencement date less any lease incentives received,

- any initial direct costs, and

- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.30 Government grants

Grants from the government are recognized at their fair value when received and the Group has complied with all attached conditions.

Government grants relating to costs are deferred and recognized in the consolidated statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated statement of profit or loss on a straight line basis over the expected lives of the related assets.

2.31 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by the Group's finance department under policies approved by the Board of Directors of the Company. The Company's finance department identifies, evaluates financial risks in close co-operation with the Group's operating units. The Board of Directors of the Company provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and liquidity risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk

(i) Foreign exchange risk

The Group operates mainly in the PRC, Hong Kong and the United States of America (the "USA"), and is exposed to foreign exchange risk, primarily the US$ and HK$.

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities that are in a currency other than the functional currency of the group entities. The Group did not enter into any forward contract to hedge its exposure to foreign currency risk for the years ended March 31, 2021 and 2020.

As at March 31, 2021, the carrying amounts of the Group's monetary assets and liabilities that are denominated in currency other than the functional currency of the respective group entities are as follows:

	March 31, 2021		March 31, 2020	
	HK dollar RMB'000	**US dollar RMB'000**	HK dollar RMB'000	US dollar RMB'000
Cash and bank balances	**15,953**	**1,112,946**	8,450	1,720,360
Trade and other receivables	**336**	**137,402**	233	152,304
Trade and other payables	**4,852**	**4,349**	3,792	1,600

For the year ended March 31, 2021, if RMB had weakened/strengthened by 5% (2020: 5%) with all other variables held constant, pre-tax loss would have been RMB62,872,000 lower/higher (2020: pre-tax loss would have been RMB93,798,000 lower/higher).

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from interest bearing assets and liabilities, mainly including loan receivables and borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and loan receivables held at variable rates. During the year ended March 31, 2021, the Group's borrowings at variable rates were mainly denominated in RMB (2020: denominated in RMB) while loan receivables at variable rates were denominated in RMB (2020: denominated in RMB).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) Cash flow and fair value interest rate risk (Continued)

For the year ended March 31, 2021, if interest rates of borrowings issued at variable rates had increased/decreased by 100 basis points with all other variables held constant, the Group's pre-tax loss for the year would have been RMB300,000 higher/lower (2020: pre-tax loss would have been RMB400,000 higher/lower).

(iii) Price risk

The Group is exposed to price risk in respect of the financial assets measured at FVTPL held by the Group. The Group is not exposed to commodity price risk. To manage its price risk arising from its investments, the Group diversifies its portfolio. Each investment is managed by management on a case by case basis. The sensitivity analysis is performed by management, see Note 3.3 for details.

(b) Credit risk

(i) Risk management

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, contractual cash flows of debt instruments carried at amortized cost, film and TV investments, financial assets at fair value through profit or loss, as well as credit exposures to customers, including outstanding receivables.

The Group's bank balances are deposited in banks and financial institutions with good reputation in the PRC, Macau, Hong Kong and the USA. Accordingly, the credit risk on these bank balances is limited.

For trade and other receivables, the Group assesses the credit quality of the customers, taking into account of their financial positions, past experience and other factors.

For the year ended March 31, 2021, the Group had no significant concentrations of credit risk except that two individual customers (both related parties of the Group) accounted for 10% or more of the Group's total trade receivables respectively. The Group's concentration of credit risk by geographical location is in the PRC, which accounted for 97.5% of the total trade receivables as at March 31, 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to the expected credit loss model:

- trade receivables, and
- other receivables

While cash and cash equivalents, deposits with banks and financial institutions are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

For trade receivables that do not share same risk characteristics with others, management assesses their expected credit losses on an individual basis. For trade receivables that share same risk characteristics with others, management calculates the expected credit losses using the roll rate model. The model first groups the customers based on their different risk characteristics, and then recalculates their respective historical credit loss information. The model further incorporates economic policies, macroeconomic conditions, industry risks and forward-looking adjustments to reflect management's forecasts of macroeconomic factors in different scenarios, as this affects the customers' ability to settle the receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) ***Credit risk*** *(Continued)*

(ii) Impairment of financial assets (Continued)

Trade receivables (Continued)

	Lifetime expected credit loss rate	Gross carrying amount RMB'000	Lifetime expected credit loss RMB'000	Net carrying Amount RMB'000
As at March 31, 2021				
Receivables of technology (new infrastructures and operations)				
Provision on individual basis	0.02%	8,804	(2)	8,802
Provision on collective basis	13.38%	146,581	(19,608)	126,973
Receivables of content				
Provision on individual basis	8.84%	924,549	(81,769)	842,780
Provision on collective basis	8.30%	562,883	(46,727)	516,156
Receivable of IP merchandising and commercialization				
Provision on individual basis	0.03%	39,126	(11)	39,115
Provision on collective basis	3.12%	4,099	(128)	3,971
		1,686,042	(148,245)	1,537,797

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) ***Credit risk*** *(Continued)*

(ii) Impairment of financial assets (Continued)

Trade receivables (Continued)

	Lifetime expected credit loss rate	Gross carrying amount RMB'000	Lifetime expected credit loss RMB'000	Net carrying Amount RMB'000
As at March 31, 2020				
Receivables of technology (new infrastructures and operations)				
Provision on individual basis	27.58%	78,954	(21,776)	57,178
Provision on collective basis	7.51%	427,612	(32,126)	395,486
Receivables of content				
Provision on individual basis	100.00%	157,928	(157,928)	–
Provision on collective basis	6.43%	592,516	(38,083)	554,433
Receivable of IP merchandising and commercialization				
Provision on individual basis	0.00%	–	–	–
Provision on collective basis	10.46%	38,869	(4,064)	34,805
		1,295,879	(253,977)	1,041,902

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(ii) Impairment of financial assets (Continued)

The loss allowance for trade receivables recognized during the year ended March 31, 2021 is as follows:

	For the year ended March 31, 2021 RMB'000
Opening balance	**253,977**
Increase in loss allowance during the year	**56,618**
Written off as uncollectible	**(4,741)**
Reversal of previous impairment losses	**(157,609)**
Closing balance	**148,245**

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(ii) Impairment of financial assets (Continued)

Other receivables

Management assesses the expected credit losses of other receivables on an individual basis. The expected credit losses are assessed with reference to the credit status of the recipients and the past due status of doubtful debtors.

The loss allowance for other receivables recognized during the year ended March 31, 2021 is as follows:

	For the year ended March 31, 2021 RMB'000
Opening balance	**201,719**
Increase in loss allowance during the year	**249,285**
Written off as uncollectible	**(182)**
Reversal of previous impairment losses	**(4,450)**
Closing balance	**446,372**

Net impairment losses on financial assets recognized in profit or loss

During the year, the following (gains)/losses were recognized in profit or loss in relation to impaired financial assets:

	For the year ended March 31,	
	2021	2020
	RMB'000	RMB'000
Impairment losses on trade receivables	**56,618**	221,394
Impairment losses on other receivables	**249,285**	160,323
Reversal of previous impairment losses	**(162,059)**	–
Impairment losses on financial assets, net	**143,844**	381,717

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) ***Credit risk*** *(Continued)*

(iii) Financial assets at fair value through profit or loss

The Group is also exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments.

(c) ***Liquidity risk***

Cash flow forecasting is performed for the operating entities of the Group and aggregated by the finance department. The Group's finance department monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

The table below analyzes the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Contractual maturities of financial liabilities at March 31, 2021						
Trade and other payables (excluding non-financial liabilities)	1,090,285	–	–	–	1,090,285	1,090,285
Borrowings	18,645	16,518	–	–	35,163	30,000
Lease liabilities	63,497	36,307	112,665	199,683	412,152	296,468
	1,172,427	52,825	112,665	199,683	1,537,600	1,416,753

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) ***Liquidity risk*** *(Continued)*

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Contractual maturities of financial liabilities at March 31, 2020						
Trade and other payables (excluding non-financial liabilities)	815,772	3,150	–	–	818,922	817,972
Borrowings	25,437	373,053	15,248	–	413,738	394,435
Lease liabilities	52,318	37,673	114,610	234,739	439,340	308,050
	893,527	413,876	129,858	234,739	1,672,000	1,520,457

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt over equity plus net debt in which net debt represents total borrowings less cash and cash equivalents.

As at March 31, 2021 and 2020, the Group's gearing ratio was nil as its cash and cash equivalents exceeded its total borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as at March 31, 2021 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

See Note 18 and 19 for disclosures of financial assets at fair value through profit or loss that are measured at fair value.

The following table presents the Group's assets that are measured at fair value at March 31, 2021.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss (current)				
Investments in wealth management products	–	–	7,000	7,000
Film and TV Investments, at fair value (current)	–	–	84,013	84,013
Financial assets at fair value through profit or loss (non-current)				
Unlisted investments	–	–	1,131,683	1,131,683
Film and TV Investments, at fair value (non-current)	–	–	221,413	221,413
Total	–	–	1,444,109	1,444,109

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

The following table presents the Group's assets that are measured at fair value at March 31, 2020.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss (current)				
Investments in wealth management products	–	–	250,750	250,750
Film and TV investments, at fair value (current)	–	–	171,527	171,527
Financial assets at fair value through profit or loss (non-current)				
Unlisted investments	–	–	860,883	860,883
Film and TV Investments, at fair value (non-current)	–	–	226,666	226,666
Total	–	–	1,509,826	1,509,826

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

Financial instruments in level 3

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the changes in level 3 instruments for the years ended March 31, 2021 and 2020.

	For the year ended March 31,	
	2021	2020
	RMB'000	RMB'000
Investments in wealth management products		
Opening balance	**250,750**	190,017
Change in investment amount, net	**(248,566)**	51,476
Change in fair value (Note 7 and 18)	**4,816**	9,257
Closing balance	**7,000**	250,750

For the investments in wealth management products, the fair values are based on cash flow discounted using the expected rate of return (ranged from 3.00%-3.30%) based on the management estimates and are within level 3 of the fair value hierarchy.

If the fair values of investments in wealth management products held by the Group had been 10% higher/lower as at March 31, 2021, pre-tax loss for the year ended March 31, 2021 would have been RMB700,000 lower/higher (2020: pre-tax loss would have been RMB25,075,000 lower/higher).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

Financial instruments in level 3 *(Continued)*

	For the year ended March 31,	
	2021	2020
	RMB'000	RMB'000
Film and TV investments, at fair value		
Opening balance	**398,193**	275,294
Change in investment amount, net	**14,000**	636,570
Change in fair value (Note 7 and 19)	**(20,841)**	(186,069)
Derecognition	**(80,673)**	(327,602)
Currency translation differences	**(5,253)**	–
Closing balance	**305,426**	398,193

The film and TV investments, at fair value, are the investments on film and TV drama that do not meet solely payments of principal and interest condition.

The film and TV investments, at fair value, are primarily valued based on the discounted cash flows method using the expected rate of return (ranged from 9% to 15%) based on the management estimates and are within level 3 of the fair value hierarchy.

If the fair values of the film and TV investments held by the Group had been 10% higher/lower as at March 31, 2021, pre-tax loss for the year ended March 31, 2021 would have been RMB30,543,000 lower/higher (2020: pre-tax loss would have been RMB39,819,000 lower/higher).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

Financial instruments in level 3 *(Continued)*

The following table presents the changes in level 3 instruments for the years ended March 31, 2021 and 2020.

	For the year ended March 31,	
	2021	2020
	RMB'000	RMB'000
Unlisted investments		
Opening balance	**860,883**	793,542
Change in investment amount, net	**357,500**	18,219
Change in fair value (Note 7 and 18)	**(69,494)**	43,032
Derecognition	**(4,450)**	–
Currency translation differences	**(12,756)**	6,090
Closing balance	**1,131,683**	860,883

For unlisted investments, as these investment are not traded in an active market, their fair values are determined by using valuation techniques and are within level 3 of the fair value hierarchy. Unlisted investments are primarily valued based on the available transaction price of the latest round of financing of the investees. Where such information is not available, other valuation techniques are used, such as the discounted cash flow method.

If the fair values of the unlisted investments held by the Group had been 10% higher/lower as at March 31, 2021, pre-tax loss for the year ended March 31, 2021 would have been RMB113,168,000 lower/higher (2020: pre-tax loss would have been RMB86,088,000 lower/higher).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.10. The recoverable amounts of CGUs are determined based on VIU, which require the use of estimates and valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Based on management's assessment (Note 15), there was no impairment on goodwill charged to administrative expenses during the year ended March 31, 2021 (2020: RMB34,931,000).

(b) Estimated impairment of film and TV rights

At the end of the reporting period, management of the Company assesses the impairment on film and TV rights with reference to its recoverable amount. The assessment is made on a film-by-film basis. The recoverable amount of the film and TV rights is determined based on VIU/ net realizable value.

If the recoverable amount is lower than the carrying amount, the carrying amount of the film and TV rights will be written down to its recoverable amount. The Group's estimation of impairment provision of film and TV rights reflects management's best estimate of future cash flows expected to be generated from film and TV rights.

Based on management's assessment on the recoverability of film and TV rights (Note 19), an impairment on film and TV rights of RMB24,159,000 was charged to cost of sales and services during the year ended March 31, 2021 (2020: RMB39,854,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(c) Estimated impairment of investments accounted for using the equity method

The Group assesses whether there is any indicator of impairment for interests in associates and joint ventures at the end of each reporting period in accordance with the accounting policies stated in Note 2.10. Investments accounted for using the equity method are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of investments accounted for using the equity method exceeds its recoverable amount, which is determined based on VIU calculations. These calculations require the use of estimates.

Based on management's assessment (Note 13), an impairment of RMB90,254,000 was charged to impairment of investments accounted for using the equity method during the year ended March 31, 2021 (2020: RMB241,051,000).

(d) Loss allowances for trade and other receivables

The loss allowances for trade and other receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.1(b).

(e) Financial assets at fair value through profit or loss

The fair value determination of such financial assets for which there is no observable market price requires the use of valuation techniques. The inputs to the valuation models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 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 IP-to-business-to-consumer ("IP2B2C") chain.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

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 RMB'000	**Technology (new infrastructures and operations) RMB'000**	**IP merchandising and commercialization RMB'000**	**Total 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**
	1,424,854	**1,114,259**	**307,080**	**2,846,193**
Income from film and TV investments	**–**	**12,704**	**–**	**12,704**
Total segment revenue	**1,424,854**	**1,126,963**	**307,080**	**2,858,897**
Including: revenue recognized that was included in the contract liabilities balance at the beginning of the year	**9,170**	**57,052**	**12,415**	**78,637**

	For the year ended March 31, 2020			
	Content RMB'000	Technology (new infrastructures and operations) RMB'000	IP merchandising and commercialization RMB'000	Total 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
	1,036,667	1,603,660	220,434	2,860,761
Income from film and TV investments	–	13,933	–	13,933
Total segment revenue	1,036,667	1,617,593	220,434	2,874,694
Including: revenue recognized that was included in the contract liabilities balance at the beginning of the year	4,018	20,839	11,113	35,970

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results

	For the year ended March 31, 2021			
	Content RMB'000	Technology (new infrastructures and operations) RMB'000	IP merchandising and commercialization RMB'000	Total RMB'000
Segment revenue	1,424,854	1,126,963	307,080	2,858,897
Segment results	344,407	461,670	161,238	967,315
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				(90,254)
Loss before income tax				(117,987)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

	For the year ended March 31, 2020			
	Content RMB'000	Technology (new infrastructures and operations) RMB'000	IP merchandising and commercialization RMB'000	Total 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

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 revenues during the year ended March 31, 2021. None of any customers contributed 10% or more of the Group's revenues during the year ended March 31, 2020.

6 OTHER INCOME

	For the year ended March 31,	
	2021	2020
	RMB'000	RMB'000
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
	47,345	60,694

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 OTHER GAINS/(LOSSES), NET

	For the year ended March 31,	
	2021	2020
	RMB'000	RMB'000
Change in fair value of unlisted investments (Note 3.3 and 18)	**(69,494)**	43,032
Change in fair value of film and TV investments, at fair value (Note 3.3 and 19)	**(20,841)**	(186,069)
Loss on disposal of an 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 (Note 3.3 and 18)	**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)
	(89,750)	(166,151)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 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 (Note 19)	**1,018,168**	899,226
Employee benefit expenses (Note 9)	**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 (Note 14)	**33,296**	63,535
Depreciation of right-of-use assets (Note 16)	**32,392**	36,012
Travel and entertainment fees	**15,877**	35,660
Amortization of intangible assets (Note 15)	**14,808**	25,743
SMS platform service and customer service support fees	**3,688**	14,189
Rental expense for short-term and low-value leases (Note 16)	**1,461**	10,062
Auditor's remunerations		
– Audit services	**4,000**	4,000
Impairment loss on goodwill (Note 15)	**–**	34,931
Impairment loss on property, plant and equipment (Note 14)	**–**	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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 EMPLOYEE BENEFIT EXPENSES

	For the year ended March 31,	
	2021	2020
	RMB'000	RMB'000
Wages and salaries	**376,818**	429,731
Share-based payment under share option scheme and share award scheme (Note 24)	**142,042**	113,878
Social security costs and housing fund (Note a)	**68,580**	74,849
Termination benefits	**7,267**	8,221
Reimbursement on share-based compensation	**–**	3,027
Share-based payment transactions with ultimate parent	**–**	57
	594,707	629,763

Notes:

(a) All of the Group's full-time employees in the PRC participate in a state-sponsored defined contribution pension plan. The Group is required to make monthly defined contributions to this plan at a rate of 14%~16% (2020: 16%~19%) of the employees' basic salaries subject to a cap determined by the state on an annual basis.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

There was no forfeited contribution utilized to offset employers' contributions for the year ended March 31, 2021 (2020: nil). There was no forfeited contribution available to reduce the contribution payable in the future years as at March 31, 2021 (2020: nil).

During the year ended March 31, 2021, the Group made total contributions to the retirement benefits schemes of RMB37,404,000 (2020: RMB50,629,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 EMPLOYEE BENEFIT EXPENSES *(Continued)*

Notes: *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended March 31, 2021 includes 1 director (2020: nil), which was an employee ("Appointed Director") of the Group before his appointment as Director during the year. Details of this Director's emoluments are reflected in the analysis shown in Note 35. The emoluments payable to the remaining four (2020: five) individuals together with the Appointed Director during the year ended March 31, 2021 are as follows:

	For the year ended March 31,	
	2021	2020
	RMB'000	RMB'000
Salaries, share options, other allowances and benefits in kind	**25,636**	28,148
Bonuses	**4,477**	3,370
Contributions to the retirement scheme	**261**	233
	30,374	31,751

The emoluments fell within the following bands:

	For the year ended March 31,	
	2021	2020
Emolument bands (in HK dollar)		
HK$3,500,001 to HK$4,000,000	**–**	2
HK$4,000,001 to HK$4,500,000	**–**	1
HK$4,500,001 to HK$5,000,000	**1**	–
HK$5,500,001 to HK$6,000,000	**2**	–
HK$8,000,001 to HK$8,500,000	**1**	–
HK$9,000,001 to HK$9,500,000	**1**	1
HK$13,500,001 to HK$14,000,000	**–**	1
	5	5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 FINANCIAL INCOME AND EXPENSES

	For the year ended March 31,	
	2021	2020
	RMB'000	RMB'000
Finance income		
– Interest income on bank deposits	**82,822**	80,233
– Exchange gain, net	**19,470**	104,283
	102,292	184,516
Finance expenses		
– Interest expenses on bank borrowings	**(3,806)**	(29,550)
– Interest expenses on lease liabilities (Note 16)	**(14,940)**	(23,093)
	(18,746)	(52,643)
Finance income, net	**83,546**	131,873

11 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 (Note 28)	**5,958**	(14,587)
	802	(29,200)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INCOME TAX CREDIT/(EXPENSE) *(Continued)*

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	**133,574**	470,986
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 did not have any assessable profit for both periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 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 (Note a)	**(3,751)**	(46,186)
Impairment (Note b)	**(90,254)**	(241,051)
Currency translation differences	**(24,588)**	21,437
At end of the year	**2,075,319**	2,205,079

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 is any indication of impairment in accordance with relevant accounting standards.

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

Notes: *(Continued)*

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

Nature of investment in associates and joint ventures as at March 31, 2021 and March 31, 2020:

Name of entity	Place of business/ region of incorporation	% of ownership interest As at March 31, 2021	2020
Associates:			
Hainan Alibaba Pictures Investment Management Limited 海南阿里巴巴影業投資管理有限公司	The PRC	**40.00%**	40.00%
Shanghai Movie & Media Co., Ltd. 上海影視傳媒股份有限公司	The PRC	**5.00%***	5.00%*
Hainan Alibaba Pictures Entertainment Industry Investment Fund (LLP) 海南阿里巴巴影業文化產業基金合夥企業(有限合夥)	The PRC	**24.987%**	25.02%
Bona Film Group Limited 博納影業集團股份有限公司	The PRC	**7.72%***	7.72%*
Shanghai Zhuying Investment Management Consulting Limited Company 上海築影投資管理諮詢有限公司	The PRC	**7.53%***	7.53%*
Beijing Yue Kai Film & Television Media Limited Company 北京悅凱影視傳媒有限公司	The PRC	**14.82%***	14.82%*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

Name of entity	Place of business/ region of incorporation	% of ownership interest As at March 31, 2021	2020
Shanghai Mingjian Limited Company 上海鳴澗影業有限公司	The PRC	**6.25%***	6.25%*
Showtime Analytics Limited	Ireland	**14.70%***	14.70%*
Storyteller Holding Co., LLC	USA	**5%***	5%*
HeHe (Shanghai) Film Limited Company 禾和(上海)影業有限公司	The PRC	**30.00%**	30.00%
Wuhan Two Ten Culture Communication Limited Company 武漢兩點十分文化傳播有限公司	The PRC	**20.00%**	20.00%
Mandarin Vision Inc. 華文創股份有限公司	Taiwan	**–**	37.31%
Joint ventures:			
Beijing Yunshangwenxin Culture Media Co., Ltd. 北京雲尚文心文化傳媒有限公司	The PRC	**51.00%****	51.00%**
Shanghai Shengtian Movie & Media Co., Ltd. 上海晟天影視傳媒有限公司	The PRC	**60.00%****	60.00%**

* *Although the Group holds less than 20% of the equity shares of these investees, the Group can exercise significant influence over the investees by virtue of its contractual right to appoint director(s) to the board of directors of the investees and has the power to participate in the key financial and operating decisions of the investees. As such, the investment in these investees are accounted for using the equity method.*

** *Although the Group holds more than 50% of the equity shares of these investees, the investments in these entities are accounted for as investments in joint ventures as unanimous consent is required from all shareholders of these entities for approving certain relevant activities according to the respective shareholders' agreements of these entities.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement RMB'000	Furniture, fittings and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
For the year ended March 31, 2020				
Opening net book amount	132,195	68,022	739	200,956
Change in accounting policy	–	(20,852)	–	(20,852)
Additions	8,443	2,370	–	10,813
Disposals	–	(233)	–	(233)
Depreciation charge	(36,863)	(25,933)	(739)	(63,535)
Impairment	(40,098)	(13,476)	–	(53,574)
Closing net book amount	63,677	9,898	–	73,575
At March 31, 2020				
Cost	181,401	168,812	3,185	353,398
Accumulated depreciation	(77,626)	(145,438)	(3,185)	(226,249)
Impairment	(40,098)	(13,476)	–	(53,574)
Net book amount	63,677	9,898	–	73,575
For the year ended March 31, 2021				
Opening net book amount	**63,677**	**9,898**	**–**	**73,575**
Additions	**18,620**	**3,419**	**–**	**22,039**
Disposals	**–**	**(205)**	**–**	**(205)**
Depreciation charge	**(29,488)**	**(3,808)**	**–**	**(33,296)**
Closing net book amount	**52,809**	**9,304**	**–**	**62,113**
At March 31, 2021				
Cost	**200,021**	**164,756**	**3,185**	**367,962**
Accumulated depreciation	**(107,114)**	**(141,976)**	**(3,185)**	**(252,275)**
Impairment	**(40,098)**	**(13,476)**	**–**	**(53,574)**
Net book amount	**52,809**	**9,304**	**–**	**62,113**

Notes:

(a) Depreciation expenses

During the year ended March 31, 2021, depreciation expense of RMB32,570,000 (2020: RMB63,111,000) has been charged to 'Administrative expenses' and RMB726,000 (2020: RMB424,000) was charged to 'Selling and marketing expense'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 GOODWILL AND INTANGIBLE ASSETS

	Goodwill RMB'000	Film and television program production and distribution license RMB'000	Operating license of the ticketing system RMB'000	Customer relationship RMB'000	Others RMB'000	Total RMB'000
For the year ended March 31, 2020						
Opening net book amount	3,586,047	7,808	121,344	27,496	9,155	3,751,850
Additions	–	–	–	–	1,030	1,030
Amortization charge	–	–	(10,866)	(12,608)	(2,269)	(25,743)
Impairment	(34,931)	–	–	–	–	(34,931)
Closing net book amount	3,551,116	7,808	110,478	14,888	7,916	3,692,206
At March 31, 2020						
Cost	3,607,047	7,808	163,000	34,300	17,476	3,829,631
Accumulated amortization and impairment	(55,931)	–	(52,522)	(19,412)	(9,560)	(137,425)
Net book amount	3,551,116	7,808	110,478	14,888	7,916	3,692,206
For the year ended March 31, 2021						
Opening net book amount	**3,551,116**	**7,808**	**110,478**	**14,888**	**7,916**	**3,692,206**
Additions	**–**	**–**	**–**	**–**	**179**	**179**
Amortization charge	**–**	**–**	**(10,867)**	**(2,858)**	**(1,083)**	**(14,808)**
Closing net book amount	**3,551,116**	**7,808**	**99,611**	**12,030**	**7,012**	**3,677,577**
At March 31, 2021						
Cost	**3,607,047**	**7,808**	**163,000**	**34,300**	**17,655**	**3,829,810**
Accumulated amortization and impairment	**(55,931)**	**–**	**(63,389)**	**(22,270)**	**(10,643)**	**(152,233)**
Net book amount	**3,551,116**	**7,808**	**99,611**	**12,030**	**7,012**	**3,677,577**

During the year ended March 31, 2021, amortization expense of RMB14,808,000 (2020: RMB25,743,000) was charged to 'Administrative expenses'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 GOODWILL AND INTANGIBLE ASSETS *(Continued)*

For the purpose of impairment testing, goodwill and intangible assets with indefinite useful life have been allocated to seven CGUs which are grouped in three segments, including several subsidiaries in the content segment, the technology (new infrastructures and operations) segment and IP merchandising and commercialization segment. The following is a summary of goodwill and intangible assets with indefinite useful life allocation for each operating and reportable segment:

	As at March 31, 2021 RMB'000
Goodwill	
– Technology (new infrastructures and operations)	**2,837,458**
– Content	**463,751**
– IP merchandising and commercialization	**249,907**
Intangible assets with indefinite useful life	
– Content	**7,808**
	3,558,924

	As at March 31, 2020 RMB'000
Goodwill	
– Internet-based promotion and distribution	3,141,396
– Content production	159,813
– Integrated development	249,907
Intangible assets with indefinite useful life	
– Content production	7,808
	3,558,924

Impairment review on the goodwill and intangible assets with indefinite useful life of the Group was conducted by management as at March 31, 2021 according to HKAS 36 "Impairment of assets". For the purposes of impairment review, the recoverable amount of the CGUs is determined based on VIU.

In order to better reflect the commercial value created by the dual-drive strategy featuring "quality content and new infrastructure", the Group has announced a new organizational structure during the year ended March 31, 2021. The goodwill derived from 'Internet-based promotion and distribution' has been reallocated to 'Technology (new infrastructures and operations)' and 'Content' segment this year using a relative value approach.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 GOODWILL AND INTANGIBLE ASSETS *(Continued)*

The VIU calculations use cash flows projections based on financial budget prepared by management covering a five-year period. Major underlying assumptions adopted as at March 31, 2021 are summarized below:

	Technology (new infrastructures and operations)	Content	IP merchandising and commercialization
Pre-tax discount rate	**23%-24%**	**21%-24.3%**	**27.8%**
Long-term growth rate	**2.5%**	**2.5%**	**2.5%**

Other key assumptions for the VIU calculations relate to the estimation of cash inflows/outflows which include gross merchandise value ("GMV"), forecasted sales, gross margin and the ratio of market promotion expenses to GMV, such estimation is based on the past performance of the CGUs and management's expectations for the market development.

Based on above assessment, during the year ended March 31, 2021, no impairment was recognized for the goodwill (2020: RMB34,931,000).

16 LEASE

(a) Amounts recognized in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at March 31, 2021 RMB'000	As at April 1, 2020 RMB'000
Right-of-use assets		
Buildings	**235,208**	267,006
Equipment	**9,660**	15,255
	244,868	282,261
Lease liabilities		
– Current	**48,955**	35,874
– Non-current	**247,513**	272,176
	296,468	308,050

There was no addition to the right-of-use assets for the year ended March 31, 2021 (2020: RMB282,261,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 LEASE *(Continued)*

(b) Amounts recognized in the statement of profit or loss

	For the year ended March 31,	
	2021	2020
	RMB'000	RMB'000
Depreciation charge of right-of-use assets (Note 8)	**32,392**	36,012
Interest expense on lease liabilities (Note 10)	**14,940**	23,093
Rental expense for short-term and low-value leases (Note 8)	**1,461**	10,062

The total cash outflow for leases for the year ended March 31, 2021 was RMB22,700,000 (2020: RMB32,363,000).

(c) The Group's leasing activities and how these are accounted for

The Group leases various operating properties, equipment and offices. Rental contracts are typically made for fixed periods of 3 to 20 years.

17 INVESTMENT PROPERTY

	For the year ended March 31,	
	2021	2020
	RMB'000	RMB'000
Opening net book amount	**–**	–
Additions	**23,240**	–
Depreciation charge	**(678)**	–
Closing net book amount	**22,562**	–
Cost	**23,240**	–
Accumulated depreciation	**(678)**	–
Net book amount	**22,562**	–

In July 2020, the Group acquired a property with settlement of prepaid film deposits. The Group treated such asset as an investment property at the initial fair value of RMB23,240,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Classification of financial assets at fair value through profit or loss

The Group classifies the following financial assets at fair value through profit or loss:

- debt investments that do not qualify for measurement at either amortized cost or FVOCI, and
- equity investments for which the entity has not elected to recognize fair value gains and losses through OCI.

Financial assets measured at FVTPL include the following:

	As at March 31,	
	2021	2020
	RMB'000	RMB'000
Non-current assets		
Unlisted investments	**1,131,683**	860,883
Current assets		
Investments in wealth management products	**7,000**	250,750
	1,138,683	1,111,633

(b) Amounts recognized in profit or loss

During the year, the following gains/(losses) were recognized in the consolidated statements of profit or loss:

	For the year ended March 31,	
	2021	2020
	RMB'000	RMB'000
Fair value gain on investments in wealth management products (Note 3.3 and 7)	**4,816**	9,257
Fair value (loss)/gain on unlisted investments (Note 3.3 and 7)	**(69,494)**	43,032
Fair value loss on investment in convertible bonds	**–**	(29,035)

(c) Risk exposure and fair value measurements

Information about the Group's exposure to price risk is provided in Note 3.1. For information about the methods and assumptions used in determining fair value please refer to Note 3.3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 FILM AND TV RIGHTS AND INVESTMENTS

	As at March 31, 2021 RMB'000	2020 RMB'000
Film and TV rights		
– Completed and released production	**17,782**	35,798
– Completed production yet to release	**124,750**	364,923
– Under production	**1,056,029**	1,003,549
– Production yet to commence	**22,924**	17,268
	1,221,485	1,421,538
Film and TV investments, at fair value		
– Current	**84,013**	171,527
– Non-current	**221,413**	226,666
	305,426	398,193
	1,526,911	1,819,731

Movements of film and TV rights and investments are as below:

	Film and TV rights RMB'000	Film and TV investments, at fair value RMB'000	Total RMB'000
For the year ended March 31, 2020			
Opening net book amount	1,050,174	275,294	1,325,468
Additions	1,279,692	636,570	1,916,262
Recognized as an expense included in cost of sales and services	(859,372)	–	(859,372)
Change in fair value of film and TV investments	–	(186,069)	(186,069)
Impairment loss	(39,854)	–	(39,854)
Refund of investment	(13,679)	–	(13,679)
Derecognition	–	(327,602)	(327,602)
Currency translation differences	4,577	–	4,577
Closing net book amount	1,421,538	398,193	1,819,731

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 FILM AND TV RIGHTS AND INVESTMENTS *(Continued)*

	Film and TV rights RMB'000	Film and TV investments, at fair value RMB'000	Total RMB'000
For the year ended March 31, 2021			
Opening net book amount	**1,421,538**	**398,193**	**1,819,731**
Additions	**853,808**	**14,000**	**867,808**
Recognized as an expense included in cost of sales and services	**(994,009)**	**–**	**(994,009)**
Change in fair value of film and TV investments	**–**	**(20,841)**	**(20,841)**
Impairment loss	**(24,159)**	**–**	**(24,159)**
Refund of investment	**(23,819)**	**–**	**(23,819)**
Derecognition	**–**	**(80,673)**	**(80,673)**
Currency translation differences	**(11,874)**	**(5,253)**	**(17,127)**
Closing net book amount	**1,221,485**	**305,426**	**1,526,911**

During the year ended March 31, 2021, management of the Group considered the expected future income of certain film and TV copyrights could not recover the respective carrying amounts and an impairment charge of RMB24,159,000 (2020: RMB39,854,000) was recognized as cost of sales and services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	As at March 31,	
	2021	2020
	RMB'000	RMB'000
Financial assets		
Financial assets at amortized cost		
– Trade receivables (Note 21)	**1,537,797**	1,041,902
– Other receivables (excluding non-financial assets)	**1,180,430**	1,226,775
– Cash and cash equivalents (Note 22)	**3,897,802**	4,004,528
– Bank deposits with the maturity over three months (Note 22)	**–**	159,496
– Restricted cash (Note 22)	**19,083**	20,061
Film and TV investments, at fair value (Note 19)	**305,426**	398,193
Financial assets at fair value through profit or loss (Note 18)	**1,138,683**	1,111,633
	8,079,221	7,962,588
Financial liabilities		
Financial liabilities at amortized cost		
– Borrowings (Note 27)	**30,000**	394,435
– Trade and other payables (excluding non-financial liabilities)	**1,090,285**	817,972
– Lease liabilities (Note 16)	**296,468**	308,050
	1,416,753	1,520,457

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 TRADE AND OTHER RECEIVABLES, AND PREPAYMENTS

	As at March 31, 2021			As at March 31, 2020		
	Current	Non-current	Total	Current	Non-current	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables (Note a)						
– Related parties (Note 32(b))	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 (Note 3.1)	(148,245)	–	(148,245)	(253,977)	–	(253,977)
Trade receivables – net	1,537,797	–	1,537,797	1,041,902	–	1,041,902
Prepaid film deposits (Note b)	40,000	10,000	50,000	77,000	10,000	87,000
Prepayments to related parties (Note 32(b))	–	–	–	475	–	475
Other prepayments	21,640	–	21,640	21,496	–	21,496
Other receivables arising from (Note c):						
– Receivables from related parties (Note 32(b))	62,537	–	62,537	44,261	–	44,261
– Loan receivables (Note d)	–	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 (Note 3.1)	(286,372)	(160,000)	(446,372)	(151,719)	(50,000)	(201,719)
Other receivables and prepayments – net	633,921	691,847	1,325,768	619,465	802,593	1,422,058
Total trade and other receivables, and prepayments	2,171,718	691,847	2,863,565	1,661,367	802,593	2,463,960

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 TRADE AND OTHER RECEIVABLES, AND PREPAYMENTS *(Continued)*

Notes:

(a) Trade receivables

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

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

	As at March 31,	
	2021	2020
	RMB'000	RMB'000
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
	1,686,042	1,295,879

Information about the impairment of trade receivables and the Group's exposure to credit risk and foreign currency risk can be found in Note 3.1.

(b) Prepaid film deposits

These prepaid film deposits as at March 31, 2021 represented the prepayments made by the Group to Mr. Wong Kar Wai and Mr Xu Hong Yu pursuant to their respective film cooperation agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 TRADE AND OTHER RECEIVABLES, AND PREPAYMENTS *(Continued)*

Notes: *(Continued)*

(c) Other receivables

These balances generally arose from transactions surrounding the operating activities of the Group. The non-current other receivables are due for repayment within 1 to 5 years from the balance sheet date.

Note 3.1 sets out information about the impairment of other receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk.

The loan receivable due from Skillgreat Limited is denominated in US$ as mentioned below in Note d, which is different from the functional currency and has foreign currency risk. Except that, all of other receivables are denominated in the functional currency of the Group's subsidiaries. As a result, there is no significant exposure to foreign currency risk.

(d) Loan receivables

In February 2019, the Group lent RMB700,000,000 to Huayi Brothers Media Corporation ("Huayi Brothers"), a third party independent of the Company and its connected persons, which bears an interest rate at the People's Bank of China 5-year base lending rate with a maturity of 5 years. The loan receivable is secured by pledge of equity interest in a subsidiary of Huayi Brothers, rights to receive investment return under a fund invested by Huayi Brothers, certain properties held by two major shareholders of Huayi Brothers, as well as unlimited joint and several guarantees provided by two major shareholders of Huayi Brothers.

During the year ended March 31, 2020, one of the pledged assets was changed from rights to receive investment return under a fund invested by Huayi Brothers to a property held by Huayi Brothers.

In October 2019, the Group lent US$19,512,000 to Skillgreat Limited, a third party independent of the Company and its connected persons, which bears an interest at 3% per annum with a maturity of 3 years. The loan receivable is secured by pledge of certain properties held by the related parties of Skillgreat Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 CASH AND BANK BALANCE

(a) Cash and cash equivalents

	As at March 31,	
	2021	2020
	RMB'000	RMB'000
Cash and deposits at banks and other financial institution	**3,897,802**	4,004,528

As at March 31, 2021, the Group had placed deposits amounted to RMB251,618,000 (2020: RMB276,513,000) in online payment platform accounts managed by Alipay.com Co., Ltd. ("Alipay", a related company of AGH) in connection with the provision of online and mobile commerce and related services, which were recorded as 'cash and cash equivalents' in the consolidated balance sheets.

The deposits at banks earn interests at floating rates based on prevailing market rates.

(b) Bank deposits with the maturity over three months

	As at March 31,	
	2021	2020
	RMB'000	RMB'000
Bank deposits with the maturity over three months	**–**	159,496

(c) Restricted cash

	As at March 31,	
	2021	2020
	RMB'000	RMB'000
Restricted cash	**19,083**	20,061

As at March 31, 2021, restricted cash of RMB19,083,000 (2020: RMB20,061,000) was pledged as securities for issuance of letter of credit.

(d) Currency denomination

	As at March 31,	
	2021	2020
	RMB'000	RMB'000
RMB	**2,582,950**	2,455,275
US$	**1,250,337**	1,720,360
HK$	**83,598**	8,450
	3,916,885	4,184,085

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 SHARE CAPITAL

Ordinary shares of HK$0.25 each, issued and fully paid:

	Number of shares	Share capital	
		HK$'000	RMB'000
At March 31, 2019	26,628,822,510	6,657,206	5,377,988
Issuance of shares under share award scheme	189,192,700	47,298	42,775
Exercise of share options under share option scheme	4,000,000	1,000	889
At March 31, 2020	**26,822,015,210**	**6,705,504**	**5,421,652**
Exercise of share options under share option scheme	**12,931,000**	**3,233**	**2,871**
At March 31, 2021	**26,834,946,210**	**6,708,737**	**5,424,523**

24 SHARE-BASED PAYMENT

During the years ended March 31, 2021 and 2020, share-based payment expenses recognized in the consolidated statement of profit or loss included:

	For the year ended March 31,	
	2021	2020
	RMB'000	RMB'000
Share-based payment under the 2012 Share Option Scheme and Share Award Scheme	**142,042**	113,878
Share-based payment transactions with AGH	**–**	57
	142,042	113,935

(a) The 2012 share option scheme

The 2012 share option scheme (the "2012 Share Option Scheme") was adopted by the Company pursuant to a resolution passed by the Company's shareholders on June 11, 2012 for the primary purpose of providing incentives or rewards to any director, employee and other eligible participants who may make contribution to the Group. The 2012 Share Option Scheme is valid for 10 years from the date of its adoption. The 2012 Share Option Scheme will expire on June 12, 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 SHARE-BASED PAYMENT *(Continued)*

(a) The 2012 share option scheme *(Continued)*

The maximum aggregate number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2012 Share Option Scheme and any other share option schemes, must not exceed 30% of the total number of shares of the Company in issue from time to time.

The fair values of the options granted pursuant to the 2012 Share Option Scheme during the year ended March 31, 2021 are as below:

Grant date	Exercise price HK$	Fair value RMB'000
June 5, 2020	**1.070**	**26,997**
September 11, 2020	**1.144**	**11,254**

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognized in the consolidated statement of profit or loss, with a corresponding adjustment to the share option reserve.

The vesting condition of the granted options during the year ended March 31, 2021 is a service time and the vesting period ranges from 4 to 6 years.

Movements of the share options granted by the Company pursuant to the 2012 Share Option Scheme are as below:

	For the year ended March 31, 2021		For the year ended March 31, 2020	
	Weighted average exercise price in HK$ per share option	**Number of share options**	Weighted average exercise price in HK$ per share option	Number of share options
At beginning of the year	**1.288**	**231,197,500**	1.089	144,505,000
Granted	**1.092**	**92,447,400**	1.551	106,492,500
Exercised	**0.963**	**(12,931,000)**	1.130	(4,000,000)
Lapsed	**1.280**	**(49,175,800)**	1.281	(15,800,000)
At ending of the year	**1.236**	**261,538,100**	1.288	231,197,500

Out of the 261,538,100 outstanding share options, 76,030,125 shares were exercisable as at March 31, 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 SHARE-BASED PAYMENT *(Continued)*

(a) The 2012 share option scheme *(Continued)*

Share options outstanding at the end of the year have the following grant dates, expiry dates and exercise prices:

Grant date	Expiry date	Exercise price in HK$ per share option	Number of share options As at March 31, 2021	2020
January 28, 2015	January 27, 2025	**1.670**	**600,000**	2,100,000
April 13, 2016	April 12, 2026	**1.880**	**5,200,000**	5,925,000
June 3, 2016	June 2, 2026	**1.860**	**5,700,000**	7,680,000
December 5, 2016	December 4, 2026	**1.494**	**600,000**	2,850,000
October 24, 2017	October 23, 2027	**1.276**	**6,200,000**	7,700,000
January 18, 2018	January 17, 2028	**1.060**	**1,200,000**	6,200,000
May 21, 2018	May 20, 2028	**0.912**	**47,470,000**	66,300,000
September 26, 2018	September 25, 2028	**1.020**	**25,549,000**	32,400,000
May 31, 2019	May 30, 2029	**1.630**	**54,344,500**	65,542,500
September 23, 2019	September 22, 2029	**1.340**	**18,650,000**	21,200,000
January 15, 2020	January 14, 2030	**1.460**	**11,100,000**	13,300,000
June 5, 2020	June 4, 2030	**1.070**	**60,424,600**	–
September 11, 2020	September 10, 2030	**1.144**	**24,500,000**	–
			261,538,100	231,197,500

The period within which the share options must be exercised shall not be more than 10 years from the date of grant. The options outstanding as at March 31, 2021 had a weighted average remaining contractual life of 8 years (2020: 9 years).

The weighted average fair value of options granted during the period determined using the Binomial Model was HK$0.456 per option. The subjectivity and uncertainty of the values of options are subject to a number of assumptions and the limitation of the model. The significant inputs into the model were weighted average share price of HK$1.092 at the grant date, exercise price shown above, volatility of 42.92%, zero expected dividend yield, a contractual option life of 10 years, and an annual risk-free interest rate of 1.23%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last 10 years. During the year ended March 31, 2021, the Group recognized an expense of RMB28,036,000 (2020: an expense of RMB19,148,000) in the consolidated statement of profit or loss arising from the value of employee services provided under share option scheme.

The inputs to the valuation models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 SHARE-BASED PAYMENT *(Continued)*

(b) Share Award Scheme

On December 30, 2016 (the "Adoption Date"), the Company adopted the Share Award Scheme as approved by the Board of Directors. The purpose of the Share Award Scheme is to (a) recognize the contributions by certain persons, including employees of the Group, any company in which a group company may have direct or indirect investment in 20% or more of its voting powers, AGH and subsidiaries of AGH to provide incentives thereto to retain them for the continual operation and development of the Group, and (b) attract suitable personnel for further development of the Group.

The Group has established Share Award Trust to hold and administer the Company's shares before they are vested and transferred to selected grantees. Upon granting of shares to selected grantees, the awarded shares are either subscribed by the allotment and issuance of new shares of the Company or purchased from the open market by the Share Award Trust (with funds provided by the Company by way of settlement or otherwise contributed by the Company).

Subject to any early termination determined by the Board of Directors, the Share Award Scheme shall be valid and effective for a term commencing on the Adoption Date and ending on the earliest of the following:

(a) the 15th anniversary date of the Adoption Date,

(b) the date when an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company, or

(c) the date as may be informed by the Company that the Share Award Scheme shall be terminated.

As at March 31, 2021, the remaining life of the Share Award Scheme was approximately 11 years.

The Board of Directors shall not make any further award which will result in the aggregate number of shares awarded by the Board of Directors or held by the Share Award Trust under the Share Award Scheme to be in excess of 2% of the issued share capital of the Company from time to time. The maximum number of shares (including both vested and non-vested shares) which may be awarded to a selected grantee under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

The Share Award Trust shall not exercise the voting rights in respect of any shares held by it under the Share Award Scheme. Dividends declared for any shares held by the Share Award Trust shall become part of the trust fund for future purchase of shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 SHARE-BASED PAYMENT *(Continued)*

(b) Share Award Scheme *(Continued)*

Movements of the awarded shares granted by the Company pursuant to the Share Award Scheme are as below:

	For the year ended March 31, 2021		For the year ended March 31, 2020	
	Weighted average exercise price in HK$ per share option	**Number of awarded shares**	Weighted average exercise price in HK$ per share option	Number of awarded shares
At beginning of the year	**1.360**	**291,164,800**	1.054	186,843,100
Granted (Note)	**1.081**	**165,041,100**	1.565	194,592,700
Vested	**1.073**	**(93,566,424)**	1.098	(57,125,150)
Lapsed	**1.260**	**(70,270,050)**	1.290	(33,145,850)
At ending of the year	**1.319**	**292,369,426**	1.360	291,164,800

Note:

The Directors of the Company are of the view that above grant of the Replacement Awarded Shares constitutes a modification to the original share options granted under the 2012 Share Option Scheme. The incremental fair value of RMB32,815,000 will be recognized as an expense over the period from the modification date to the end of the remaining vesting period. The expense for the original share options grant will continue to be recognized as if they had not been cancelled.

For the newly granted shares during the year ended March 31, 2021, the vesting condition is service time and the vesting period ranges from 4 to 6 years.

The fair value of restricted shares charged to the consolidated statement of profit or loss was RMB114,006,000 during the year ended March 31, 2021 (2020: RMB94,730,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 OTHER RESERVES

As at March 31, 2021, the Group's retained earnings included PRC subsidiaries' statutory surplus reserve of RMB47,096,000 (2020: RMB47,096,000).

In accordance with the relevant laws and regulations of the PRC, certain Group's PRC subsidiaries shall set aside 10% of its profit after income tax (based on the PRC statutory financial statements and after offsetting accumulated losses from prior years) for the statutory surplus reserve fund (except where the reserve balance has reached 50% of the registered capital).

In addition, in accordance with the Law of the PRC on Enterprises with Foreign Investments, appropriation from net profits (based on the PRC statutory financial statements after offsetting accumulated losses from prior years) should be made by the Group's wholly owned foreign subsidiaries in the PRC to their respective reserve funds. The percentage of net profit to be appropriated to the reserve fund is not less than 10% of the net profit. When the balance of the reserve fund reaches 50% of the registered capital, such transfer need not be made.

The statutory surplus reserves and the reserve funds can be used to make up for the loss or increase the paid in capital after approval from the appropriate authorities and are not distributable as cash dividends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 TRADE AND OTHER PAYABLES, AND ACCRUED CHARGES

	As at March 31, 2021			As at March 31, 2020		
	Current	Non-current	Total	Current	Non-current	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables (Note a)						
– Related parties (Note 32(c))	34,307	–	34,307	29,614	–	29,614
– Third parties	285,188	–	285,188	168,868	–	168,868
	319,495	–	319,495	198,482	–	198,482
Other payable and accrued charges:						
Amounts due to related parties (Note 32(c))	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
	932,784	–	932,784	765,287	3,000	768,287
Total trade and other payables, and accrued charges	1,252,279	–	1,252,279	963,769	3,000	966,769

The carrying amounts of trade and other payables are considered to approximate their fair values, due to their short-term nature or interest-bearing nature.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 TRADE AND OTHER PAYABLES, AND ACCRUED CHARGES *(Continued)*

Note:

(a) Trade payables

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
	RMB'000	RMB'000
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

27 BORROWINGS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 BORROWINGS *(Continued)*

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

	As at March 31, 2021 RMB'000	As at March 31, 2020 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 March 31, 2021			For the year ended March 31, 2020		
	Current RMB'000	**Non-current RMB'000**	**Total RMB'000**	Current RMB'000	Non-current RMB'000	Total 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 fixed 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 DEFERRED INCOME TAX

The analysis of deferred income tax assets/(liabilities) is as follows:

	As at March 31,	
	2021	2020
	RMB'000	RMB'000
Deferred tax assets	**11,453**	13,054
Deferred tax liabilities	**(62,657)**	(70,216)

The movements in deferred income tax assets during the years ended March 31, 2021 and 2020 are as follows:

	Provision
	RMB'000
At April 1, 2019	419
Credited to the consolidated statement of profit or loss	12,635
At March 31, 2020	13,054
At April 1, 2020	**13,054**
Charged to the consolidated statement of profit or loss	**(1,601)**
At March 31, 2021	**11,453**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 DEFERRED INCOME TAX *(Continued)*

The movements in deferred income tax liabilities during the years ended March 31, 2021 and 2020 are as follows:

	Fair value change RMB'000
At April 1, 2019	(42,994)
Charged to the consolidated statement of profit or loss	(27,222)
At March 31, 2020	(70,216)
At April 1, 2020	**(70,216)**
Credited to the consolidated statement of profit or loss	**7,559**
At March 31, 2021	**(62,657)**

Starting from January 1, 2008, the tax law of the PRC requires payment of withholding tax upon the distribution of profits earned by the PRC subsidiaries to the foreign shareholders. Deferred income tax has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to such profits generated by subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefit through the future taxable profits is probable. As at March 31, 2021, the Group had tax losses of RMB3,751,513,000 (2020: RMB4,426,034,000) to carry forward, which were not recognized as deferred tax assets as the Directors of the Company consider that the utilization of these tax losses in the foreseeable future is not probable, of which an amount of RMB3,339,458,000 will expire through year 2021 to 2028 (2020: RMB3,779,608,000 will expire through year 2020 to 2024), and an amount of RMB412,055,000 (2020: RMB646,426,000) has no expiry date.

29 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 CASH USED IN OPERATIONS

(a) Cash used in operations

	For the year ended March 31,	
	2021	2020
	RMB'000	RMB'000
Loss before income tax	**(117,987)**	(1,136,616)
– Depreciation of PPE and Right-of-use assets	**65,688**	99,547
– Depreciation of investment properties	**678**	–
– Amortization of intangible assets	**14,808**	25,743
– Provision for impairment of film and TV copyrights	**24,159**	39,854
– Impairment losses of trade and other receivables	**143,844**	381,717
– Loss/(gain) on disposal of property, plant and equipment	**202**	(165)
– Gains on COVID-19 rent concessions	**(5,283)**	–
– Share of losses from investments accounted for using equity method	**3,751**	46,186
– Loss on disposal of investments accounted for using equity method	**11,167**	–
– Provision for impairment of investments accounted for using equity method	**90,254**	241,051
– Change in fair value of film and TV investments, recognized in other losses, net	**20,841**	186,069
– Change in fair value on investment in wealth management products	**(4,816)**	(9,257)
– Change in fair value on unlisted investments	**69,494**	(43,032)
– Investment income on loan receivables	**(33,803)**	(31,779)
– Losses from debt restructuring	**4,000**	–
– Finance income, net	**(83,546)**	(131,873)
– Changes in share option reserve	**142,042**	113,935
– Change in fair value of investment in convertible bonds	**–**	29,035
– Provision for impairment of goodwill	**–**	34,931
– Provision for impairment of property, plant and equipment	**–**	53,574
Changes in working capital:		
– Trade and other receivables, and prepayments	**(528,606)**	(162,990)
– Film and TV rights and investments	**230,693**	(715,609)
– Contract liabilities	**(70,642)**	77,411
– Trade and other payables, and accrued charges	**291,578**	136,015
– Inventories	**–**	660
Cash generated from/(used in) operations	**268,516**	(765,593)

Non-cash investing activity disclosed in other notes is acquisition of investment property (Note 17).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 CASH USED IN OPERATIONS *(Continued)*

(b) Net cash reconciliation

An analysis of net cash as at March 31, 2021 and 2020 is as follows:

	As at March 31, 2021 RMB'000	As at March 31, 2020 RMB'000
Net cash		
Cash and cash equivalents	**3,897,802**	4,004,528
Bank deposits with the maturity over three months	**–**	159,496
Investment in wealth management products	**7,000**	250,750
Lease liabilities – repayable within one year	**(48,955)**	(35,874)
Lease liabilities – repayable after one year	**(247,513)**	(272,176)
Borrowings – repayable within one year	**(15,000)**	(10,000)
Borrowings – repayable after one year	**(15,000)**	(384,435)
Net cash	**3,578,334**	3,712,289
Cash and liquid investments	**3,904,802**	4,414,774
Gross debt – fixed interest rates	**(296,468)**	(662,485)
Gross debt – variable interest rates	**(30,000)**	(40,000)
Net cash	**3,578,334**	3,712,289

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 CASH USED IN OPERATIONS *(Continued)*

(b) Net cash reconciliation *(Continued)*

Movements in net cash for the years ended March 31, 2021 and 2020 are as follows:

	Other assets				Liabilities from financing activities		
	Cash and cash equivalents RMB'000	Investment in wealth management products RMB'000	Bank deposits with the maturity over three months RMB'000	Bank deposits with the maturity over one year RMB'000	Lease liabilities RMB'000	Borrowing RMB'000	Total RMB'000
Net cash as at April 1, 2019	3,341,470	190,017	828,872	50,000	(320,646)	(717,310)	3,372,403
Cash flows	469,168	51,476	(658,021)	(50,000)	32,363	359,435	204,421
Foreign exchange adjustments	193,890	–	(11,355)	–	–	(36,560)	145,975
Other changes	–	9,257	–	–	(19,767)	–	(10,510)
Net cash as at March 31, 2020	4,004,528	250,750	159,496	–	(308,050)	(394,435)	3,712,289
Cash flows	**(68,434)**	**(248,566)**	**(120,772)**	**–**	**21,239**	**363,550**	**(52,983)**
Foreign exchange adjustments	**(38,292)**	**–**	**(38,724)**	**–**	**–**	**885**	**(76,131)**
Other changes	**–**	**4,816**	**–**	**–**	**(9,657)**	**–**	**(4,841)**
Net cash as at March 31, 2021	**3,897,802**	**7,000**	**–**	**–**	**(296,468)**	**(30,000)**	**3,578,334**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	As at March 31,	
	2021	2020
	RMB'000	RMB'000
Equity Investments	**–**	410,000

32 RELATED PARTY TRANSACTIONS

As at March 31, 2021, the Company was 50.26% owned by Ali CV. The remaining 49.74% of the Company's shares were widely held. The ultimate parent of the Company is AGH, a company whose shares are listed on New York Stock Exchange and Hong Kong Stock Exchange and incorporated in Cayman Islands.

Save as disclosed elsewhere in this consolidated financial statements, the following transactions were carried out with related parties:

(a) Transactions with related parties

	For the year ended March 31,	
	2021	2020
	RMB'000	RMB'000
Sales of film and TV rights to AGH's subsidiaries (Note i)	**548,409**	177,523
Provision of services to AGH's subsidiaries (Note i)	**200,174**	130,789
Purchase of services from AGH's subsidiaries (Note i)	**112,562**	99,271
Purchase of services from related companies of AGH (Note i)	**37,465**	52,864
Purchase of film and TV rights from AGH's subsidiaries (Note i)	**–**	5,755
Provision of services to related companies of AGH (Note i)	**189**	3,678
Provision of services to associates	**7,000**	29,781

In the opinion of the Directors of the Company, these related party transactions were carried out in the ordinary course of business and in accordance with the terms of the underlying agreements.

Note:

(i) During the year ended March 31, 2021, the above transactions constituted connected transactions under the Rules Governing the Listing of Securities on the HK Stock Exchange.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balances due from related parties

As at March 31, 2021, balances due from related parties comprised:

	As at March 31,	
	2021	2020
	RMB'000	RMB'000
Trade receivables		
Amounts due from AGH's subsidiaries	**662,630**	263,904
Amounts due from associates	**166,883**	272,248
Amounts due from related companies of AGH	**9,099**	6,955
Other receivables		
Amounts due from associates and joint venture	**60,591**	40,591
Amounts due from AGH's subsidiaries	**1,788**	3,592
Amounts due from related companies of AGH	**158**	78
Prepayments		
Prepayment to related companies of AGH	**–**	475

Amounts due from related parties are unsecured, non-interest bearing and due in accordance with the terms of the underlying agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances due to related parties

As at March 31, 2021, balances due to related parties comprised:

	As at March 31,	
	2021	2020
	RMB'000	RMB'000
Trade payables		
Amounts due to a related company of AGH	**21,459**	12,124
Amounts due to AGH's subsidiaries	**9,432**	17,490
Amounts due to associates	**3,416**	–
Other payables		
Amounts due to AGH's subsidiaries	**75,626**	102,388
Amounts due to associates	**4,685**	17,415
Amounts due to related companies of AGH	**118**	118

The balances due to related parties are unsecured, non-interest bearing and due in accordance with the terms of the underlying agreement.

(d) Loans to related parties

	As at March 31,	
	2021	2020
	RMB'000	RMB'000
Loans granted to an associate	**20,000**	–

(e) Key management compensation

The compensation paid or payable to key management for employee services is shown below:

	For the year ended March 31,	
	2021	2020
	RMB'000	RMB'000
Salaries, allowances and other benefits	**8,793**	18,502
Share-based payments	**11,840**	9,309
	20,633	27,811

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company

	As at March 31,	
	2021	2020
	RMB'000	RMB'000
Assets		
Non-current assets		
Intangible assets	**200**	200
Investments in subsidiaries	**19,562,128**	18,236,540
	19,562,328	18,236,740
Current assets		
Trade and other receivables, and prepayments	**–**	2,966
Cash and cash equivalents	**51,720**	1,092,029
Bank deposits with the maturity over three months	**–**	159,496
	51,720	1,254,491
Total assets	**19,614,048**	19,491,231
Equity and liabilities		
Equity attributable to owners of the Company		
Share capital	**5,424,523**	5,421,652
Reserves	**14,186,154**	14,066,124
Total equity	**19,610,677**	19,487,776
Current liabilities		
Trade and other payables, and accrued charges	**3,371**	3,455
Total liabilities	**3,371**	3,455
Total equity and liabilities	**19,614,048**	19,491,231

The balance sheet of the Company was approved by the Board of Directors on June 9, 2021 and was signed on its behalf.

Fan Luyuan
Executive Director & Chairman

Meng Jun
Executive Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(b) Reserve movement of the Company

	Share premium RMB'000	Share redemption reserve RMB'000	Shares held for share award scheme RMB'000	Contributed surplus RMB'000	Share-based compensation reserve RMB'000	Retained Earnings/ (accumulated losses) RMB'000	Total RMB'000
At April 1, 2019	13,223,637	863	(235,906)	61,486	225,840	460,132	13,736,052
Exercise of share options under share option scheme	4,860	–	–	–	(1,738)	–	3,122
Issuance of shares under share award scheme	130,037	–	(172,812)	–	–	–	(42,775)
Shares purchased for share award scheme	–	–	(2,735)	–	–	–	(2,735)
Shares vested under share award scheme	–	–	52,745	–	(52,745)	–	–
Value of employee services provided under share option scheme and share award scheme	–	–	–	–	113,878	–	113,878
Value of employee services provided in relation to share-based payment transactions with AGH	–	–	–	–	57	–	57
Profit for the year	–	–	–	–	–	258,525	258,525
At March 31, 2020	13,358,534	863	(358,708)	61,486	285,292	718,657	14,066,124
At April 1, 2020	**13,358,534**	**863**	**(358,708)**	**61,486**	**285,292**	**718,657**	**14,066,124**
Exercise of share options under share option scheme	**13,358**	**–**	**–**	**–**	**(5,164)**	**–**	**8,194**
Shares purchased for share award scheme	**–**	**–**	**(5,991)**	**–**	**–**	**–**	**(5,991)**
Shares vested under share award scheme	**–**	**–**	**100,382**	**–**	**(100,382)**	**–**	**–**
Value of employee services provided under share option scheme and share award scheme	**–**	**–**	**–**	**–**	**142,042**	**–**	**142,042**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(24,215)**	**(24,215)**
At March 31, 2021	**13,371,892**	**863**	**(264,317)**	**61,486**	**321,788**	**694,442**	**14,186,154**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 SUBSIDIARIES

(a) The following is a list of the principal subsidiaries at March 31, 2021:

Name	Place of incorporation/ registration and kind of legal entity	Place of operation	Particulars of issued share capital	Proportion of equity interests held by the Company		Proportion of equity interests held by non-controlling interests		Principal activities
				2021 (%)	2020 (%)	**2021 (%)**	2020 (%)	
SAC Enterprises Limited	Hong Kong/Limited liability company	Hong Kong	Ordinary HK$1,000	**100**	100	**–**	–	Provision of management services to group companies
Alibaba Pictures Entertainment Media Limited	Hong Kong/Limited liability company	Hong Kong	Ordinary HK$1	**100**	100	**–**	–	Investment in and production and distribution of film&TV rights
Beijing 102 Artists Management Limited 北京壹零貳藝人經紀有限公司	PRC/Limited liability company	PRC	Registered Capital RMB10,000,000	**100**	100	**–**	–	Artists management services
Beijing Alibaba Pictures Culture Co., Ltd. (北京阿里巴巴影業文化有限公司) (formerly known as Beijing Asian Union Culture Media Investment Co., Ltd. (前稱：北京中聯華盟文化傳媒投資有限公司)) (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB10,000,000	**–**	–	**–**	–	Investment in and production and distribution of film & TV rights
Alibaba Pictures (Tianjin) Co.,Ltd (阿里巴巴影業(天津)有限公司) (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB15,000,000	**–**	–	**–**	–	Investment in and production and distribution of film & TV rights
Zhonglian Shengshi Culture (Beijing) Co., Ltd. 中聯盛世文化(北京)有限公司	PRC/Wholly foreign owned enterprise	PRC	Registered Capital RMB100,000,000	**100**	100	**–**	–	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 SUBSIDIARIES *(Continued)*

(a) The following is a list of the principal subsidiaries at March 31, 2021: *(Continued)*

Name	Place of incorporation/ registration and kind of legal entity	Place of operation	Particulars of issued share capital	Proportion of equity interests held by the Company 2021 (%)	Proportion of equity interests held by the Company 2020 (%)	Proportion of equity interests held by non-controlling interests 2021 (%)	Proportion of equity interests held by non-controlling interests 2020 (%)	Principal activities
Aisan Union (Tianjin) Advertising Co., Ltd. 中聯華盟(天津)廣告有限公司 (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB7,500,000	-	–	-	–	Advertising and sale of entertainment related merchandise and derivatives
Guangdong Alibaba Pictures Yunzhi Software Co., Ltd. 廣東阿里影業雲智軟件有限公司	PRC/Limited liability company	PRC	Registered Capital RMB10,000,000	**100**	100	-	–	Supply of cinema ticketing and connecting software systems
Zhejiang Dongyang Alibaba Pictures Co., Ltd. 浙江東陽阿里巴巴影業有限公司 (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB50,000,000	-	–	-	–	Investment in and production and distribution of film & TV rights
Zhejiang Dongyang Xiaoyuzhou Movie & Media Co., Ltd. 浙江東陽小宇宙影視傳媒有限公司 (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB10,000,000	-	–	-	–	Investment in and production and distribution of film & TV rights
Beijing Fannifanni Culture Media Co., Ltd. 北京蕃尼蕃尼文化傳媒有限公司	PRC/Limited liability company	PRC	Registered Capital RMB1,000,000	**60**	–	**40**	–	Film production
Beijing Yulebao Movie & Media Co., Ltd. 北京娛樂寶影視傳媒–有限公司 (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB30,000,000	-	–	-	–	Investment in and production and distribution of film & TV rights

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 SUBSIDIARIES *(Continued)*

(a) The following is a list of the principal subsidiaries at March 31, 2021: *(Continued)*

Name	Place of incorporation/ registration and kind of legal entity	Place of operation	Particulars of issued share capital	Proportion of equity interests held by the Company		Proportion of equity interests held by non-controlling interests		Principal activities
				2021 (%)	2020 (%)	**2021 (%)**	2020 (%)	
Shanghai Taopiaoer Information Technology Co., Ltd. 上海淘票兒信息科技有限公司	PRC/Limited liability company	PRC	Registered Capital RMB64,800,000	**100**	100	**–**	–	Online movie ticketing agent & software development
Alibaba Pictures Media LLC	USA/Limited liability company	USA	N/A	**100**	100	**–**	–	Investment in and production of film rights
Hangzhou Tao Piao Piao Movie & TV Culture Co., Ltd. (杭州淘票票影視文化有限公司) (formerly known as Hangzhou Aurora Multi-Media Technology Co., Ltd. (前稱：杭州晨熹多媒體科技有限公司))	PRC/Sino foreign cooperative	PRC	Registered Capital US$193,191,909	**96.7**	96.7	**3.3**	3.3	Online movie ticketing agent
Hangzhou Xingji Movie&TV Culture Co., Ltd. 杭州星際影視文化有限公司 (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB25,390,686	**–**	–	**–**	–	Film screening
Shanghai Tao Piao Piao Movie & TV Culture Co., Ltd. 上海淘票票影視文化有限公司 (Note i)	PRC/Limited liability company	PRC	Registered Capital RMB10,000,000	**–**	–	**–**	–	Online movie ticketing agent
Shanghai Alibaba Pictures Co., Ltd. 上海阿里巴巴影業有限公司 (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB30,000,000	**–**	–	**–**	–	Film investment, film production

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 SUBSIDIARIES *(Continued)*

(a) The following is a list of the principal subsidiaries at March 31, 2021: *(Continued)*

Name	Place of incorporation/ registration and kind of legal entity	Place of operation	Particulars of issued share capital	Proportion of equity interests held by the Company		Proportion of equity interests held by non-controlling interests		Principal activities
				2021 (%)	2020 (%)	**2021 (%)**	2020 (%)	
Beijing Dark Horse Culture Media Co., Ltd. 北京藍天黑馬文化傳媒有限公司 (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB500,000	**–**	–	**–**	–	Film Distribution and Marketing
Zhongyu (Tianjin) Commercial Factoring Co., Ltd. 中娛(天津)商業保理有限公司 (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB50,000,000	**–**	–	**–**	–	Factoring
Beijing Liyu Culture Communication Co., Ltd. 北京里娛文化傳播有限責任公司 (Note ii)	PRC/Limited liability company	PRC	Registered capital RMB10,000,000	**–**	–	**–**	–	Talent agency, production of broadcasting & television programs, exhibition
Beijing Taoxiu New Media Technology Co., Ltd. 北京淘秀新媒體科技有限公司 (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB5,000,000	**–**	–	**–**	–	Internet Information services, advertising and marketing
Cool Young Culture Communication Co., Ltd. 酷漾文化傳播有限公司 (Note iii)	PRC/Limited liability company	PRC	Registered Capital RMB50,000,000	**51**	51	**49**	49	Provision of talent agency services
Beijing Yunshangzhi Software Development Co., Ltd. 北京雲尚制軟件開發有限公司	PRC/Limited liability company	PRC	Registered Capital RMB28,570,000	**70**	70	**30**	30	Software development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 SUBSIDIARIES *(Continued)*

(a) The following is a list of the principal subsidiaries at March 31, 2021: *(Continued)*

Name	Place of incorporation/ registration and kind of legal entity	Place of operation	Particulars of issued share capital	Proportion of equity interests held by the Company		Proportion of equity interests held by non-controlling interests		Principal activities
				2021 (%)	2020 (%)	**2021 (%)**	2020 (%)	
Nanjing Pairui Cinema Management Co., Ltd. 南京派瑞影院管理有限公司	PRC/Limited liability company	PRC	Registered Capital RMB69,288,889	**55**	55	**45**	45	Film Screening
Taomailang (Beijing) Technology Co., Ltd. 淘麥郎(北京)科技有限公司	PRC/Limited liability company	PRC	Registered Capital RMB10,000,000	**100**	–	**-**	–	Technical development, technical consultation

Notes:

(i) These are subsidiaries arising from the Contractual Arrangements (Note 2.3.1(a)).

(ii) These are subsidiaries of the OPCOs. Pursuant to the respective Memorandum and Articles of Association of these subsidiaries, the OPCOs have power to control the operating and financial affairs of these subsidiaries. Accordingly, they are treated as the subsidiaries of the Company under HKFRS 10 and their results, assets and liabilities are consolidated with those of the Group.

(iii) These are subsidiaries established by Zhejiang Dongyang Alibaba Pictures Co., Ltd. and Youku Information Technology (Beijing) Co., Ltd. (a subsidiary of AGH).

The above list includes the subsidiaries of the Company which, in the opinion of the Directors of the Company, principally affect the results of the Group for the year or form a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Directors of the Company, result in particulars of excessive length.

(b) Material non-controlling interests

The total non-controlling interests as at March 31, 2021 amounted to RMB51,617,000 (2020: RMB78,094,000). No subsidiary has non-controlling interests that are material to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 BENEFIT AND INTERESTS OF DIRECTORS

(a) Directors' and chief executives' emoluments

The remuneration of Directors and the chief executive of the Company for the year ended March 31, 2021 is set out below:

	Fees	Salary (Note vii)	Discretionary bonuses	Share -based compensation (Note viii)	Allowances and benefits in kind (Note x)	Employer's contributions to the retirement benefit scheme (Note b)	Social security costs excluding retirement cost	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Name								
Executive Directors								
Mr. Fan Luyuan (Note i)	–	–	–	569	–	–	–	569
Mr. Meng Jun (Note ii)	–	–	–	178	–	–	–	178
Mr. Li Jie (Note iii)	–	1,355	924	4,005	11	34	58	6,387
Non-Executive Directors								
Mr. Xu Hong (Note iv)	–	–	–	–	–	–	–	–
Mr. Chang Yang (Note vi)	–	–	–	–	–	–	–	–
Independent non-executive Directors								
Ms. Song Lixin (Note xiii)	245	–	–	–	–	–	–	245
Mr. Tong Xiaomeng (Note xiii)	297	–	–	–	–	–	–	297
Mr. Johnny Chen (Note xiii)	262	–	–	–	–	–	–	262
	804	1,355	924	4,752	11	34	58	7,938

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' and chief executives' emoluments *(Continued)*

The remuneration of every director and the chief executives for the year ended March 31, 2020 is set out below:

	Fees RMB'000	Salary (Note vii) RMB'000	Discretionary bonuses RMB'000	Share -based compensation (Note viii) RMB'000	Allowances and benefits in kind (Note x) RMB'000	Employer's contributions to the retirement benefit scheme (Note b) RMB'000	Social security costs excluding retirement cost RMB'000	Total RMB'000
Name								
Executive directors								
Mr. Fan Luyuan (Note i)	–	–	–	–	–	–	–	–
Mr. Meng Jun (Note ii)	–	–	–	–	–	–	–	–
Non-Executive Directors	–	–	–	–	–	–	–	–
Mr. Xu Hong (Note iv)	–	–	–	–	–	–	–	–
Ms. Zhang Yu (Note v)	–	–	–	–	–	–	–	–
Mr. Chang Yang (Note vi)	–	–	–	–	–	–	–	–
Independent non-executive directors	–	–	–	–	–	–	–	–
Ms. Song Lixin (Note xiii)	250	–	–	–	–	–	–	250
Mr. Tong Xiaomeng (Note xiii)	303	–	–	–	–	–	–	303
Mr. Johnny Chen (Note xiii)	267	–	–	–	–	–	–	267
	820	–	–	–	–	–	–	820

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' and chief executives' emoluments *(Continued)*

Notes:

(i) Except for the share-based compensation, the remaining emoluments of Mr. Fan Luyuan were paid by Alibaba Group.

(ii) Mr. Meng Jun was appointed as executive director on March 5, 2019. Except for the share-based compensation, the remaining emoluments of Mr. Meng Jun were paid by Alibaba Group.

(iii) Mr. Li Jie was appointed as executive director on June 24, 2020.

(iv) Mr. Xu Hong was appointed as non-executive director on January 17, 2020. The emoluments of Mr. Xu Hong which were not included in director's emoluments were paid by Alibaba Group.

(v) Ms. Zhang Yu was appointed as non-executive director on March 5, 2019 and resigned on January 17, 2020. The emoluments of Ms. Zhang Yu which were not included in director's emoluments were paid by Alibaba Group.

(vi) Mr. Chang Yang was appointed as non-executive director on March 5, 2019 and resigned on June 24, 2020. The emoluments of Mr. Chang Yang which were not included in director's emoluments were paid by Alibaba Group.

(vii) Salary paid to a director is generally an emolument paid or receivable in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiaries undertakings.

(viii) The values of share-based compensation are based on the share based compensation recognized for the year.

(ix) During the year ended March 31, 2021, the total remuneration paid to each of Ms. Song Lixin, Mr. Tong Xiaomeng and Mr. Johnny Chen comprised director's fee and the fee for acting as chairman and/or member of the Company's board committees.

(x) Includes housing allowances and estimated money value of other non-cash benefits: car, insurance premium and club membership.

No directors of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as a compensation for loss of office as director during the year ended March 31, 2021 (2020: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(b) Directors' retirement benefits

No retirement benefits were paid to or receivable by any directors in respect of their services in connection with the management of the affairs of the Company or its subsidiary undertaking during the year ended March 31, 2021 (2020: nil).

(c) Directors' termination benefits

No payment was made to directors as compensation for early termination of the appointment during the year ended March 31, 2021 (2020: nil).

(d) Consideration provided to third parties for making available directors' service

No payment was made to the former employer of directors or third parties for making available the services as a director of the Company during the year ended March 31, 2021 (2020: nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entitles with such directors

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the year ended March 31, 2021 (2020: nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transaction, arrangements and contracts in relation to the Group's business to which the group companies were parties and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the year ended March 31, 2021 (2020: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(g) Directors' emoluments

The remuneration of Directors is set out below:

For the year ended March 31, 2021

Aggregate emoluments paid to or receivable by directors in respect of their services as directors RMB'000	Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Company RMB'000	Total RMB'000
804	**7,134**	**7,938**

For the year ended March 31, 2020

Aggregate emoluments paid to or receivable by directors in respect of their services as directors RMB'000	Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Company RMB'000	Total RMB'000
820	–	820

FINANCIAL SUMMARY

RESULTS

	For the year ended December 31, 2016 RMB'000	For the fifteen months ended March 31, 2018 RMB'000	For the year ended March 31, 2019 RMB'000	2020 RMB'000	**2021 RMB'000**
Continuing operations					
Revenue	904,582	3,302,783	3,033,844	2,874,694	**2,858,897**
Loss before income tax	(957,495)	(1,759,647)	(280,887)	(1,136,616)	**(117,987)**
Income tax (expense)/credit	(18,649)	(35,313)	(15,063)	(29,200)	**802**
Loss for the period/year from continuing operations	(976,144)	(1,794,960)	(295,950)	(1,165,816)	**(117,185)**
Loss attributable to:					
Owners of the Company	(958,576)	(1,658,647)	(253,570)	(1,150,570)	**(96,311)**
Non-controlling interests	(17,568)	(136,313)	(42,380)	(15,246)	**(20,874)**
	(976,144)	(1,794,960)	(295,950)	(1,165,816)	**(117,185)**

ASSETS AND LIABILITIES

	As at December 31, 2016 RMB'000	As at March 31, 2018 RMB'000	2019 RMB'000	2020 RMB'000	**2021 RMB'000**
Total assets	19,563,062	14,982,583	16,617,783	15,847,879	**15,540,882**
Total liabilities	(2,431,130)	(885,684)	(1,665,558)	(1,871,409)	**(1,702,944)**
Total equity	17,131,932	14,096,899	14,952,195	13,976,470	**13,837,938**
Non-controlling interest	(213,909)	(120,202)	(95,752)	(78,094)	**(51,617)**
Equity attributable to owners of the Company	16,918,023	13,976,697	14,856,443	13,898,376	**13,786,321**