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

ANNUAL REPORT 2021 / 22

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 Directors

Mr. Liu Zheng (Appointed on October 18, 2021)
Mr. Xu Hong (Resigned on October 18, 2021)

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. Chun Ka Yan (Appointed on June 30, 2022)
Ms. Lew Aishan Nicole (Resigned on June 30, 2022)

SOLICITOR

Mayer Brown

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and Registered PIE Auditor

WEBSITE

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,

In the past two years, the cultural and entertainment industry had been struggling and surviving in the grim market and expecting a recovery amidst the repercussion of the pandemic. In the second half of 2021, the market began to rebound as the pandemic prevention and control situation became stable in China, which demonstrated the support from consumers who had strong demand for the cultural and entertainment products, and further captured the potential needs of consumers for high quality "content" in the cultural and entertainment industry.

Owing to its commitment to improving content quality, Alibaba Pictures Group Limited (the "Company" or "Alibaba Pictures", together with its subsidiaries, the "Group") recorded a turnaround from loss to profit for the financial year ended March 31, 2022 (the "Reporting Period"), showing that its hard work finally paid off in the face of adversity. During the Reporting Period, Alibaba Pictures recorded revenue of RMB3,652 million, representing an increase of RMB793 million or year-on-year growth of 27.7% as compared with the corresponding period of 2021. During the Reporting Period, the net profit amounted to RMB154 million, recording a turnaround for the first time. The adjusted EBITA recorded a profit of RMB143 million, representing a year-on-year growth of 21.2%.

This invaluable achievement is attributable to the Group's adherence to its dual-drive strategy featuring "content + technology". In addition to producing and presenting diversified and high-quality films and drama series, the Group focused on "content" and explored multiple business models to unify upstream and downstream operations, as well as online and offline channels throughout the industry chain, which allowed it to successfully expand boundaries of the film and television industry. Today, Alibaba Pictures has achieved all-rounded interaction among movies, drama series and offline entertainment.

In terms of content business, Alibaba Pictures has been engaging in creation of diversified and quality contents, with an aim to becoming a quality content provider in the cultural and entertainment industry. The content reserve built up on this aim served as an engine driving the Group's business growth in the face of adversity. During the Reporting Period, the Group participated in the production and distribution of 44 films, which generated box office of over RMB26 billion, accounting for 71% of the box office of domestic films, while maintaining its consistent standards for selecting high-quality films. Eight of these films ranked among top 10 domestic films in terms of box office for the corresponding period. Alibaba Pictures participated in the production of "*The Battle at Lake Changjin* (長津湖)", "*My country, My parents* (我和我的父輩)" and a number of other films featuring mainstream themes and positive values, and dipped into comedy films, romance films, animation films and other diversified subgenres, embracing the audiences with warmth through the influence of films and arousing their emotional resonance. With respect to drama series, we have established close ties with platforms, writers and various partners through the mode of self-produced drama studio. Leveraging on its own technology platform, the Group continues to create premium content while exploring industrialized production. Certain drama series, like "*Be Reborn* (重生之門)" and "*Because of Love* (今生有你)", were released during the Reporting Period and were well received with very high viewership ratings on both the Internet and TV.

CHAIRMAN'S STATEMENT

In terms of technology business, the other driver of the Group's strategies, mainly comprises platform ticketing, digitalization business and other technology products, and serves as a multidimensional driver for the rapid upgrade and development of the entertainment industry. During the Reporting Period, Tao Piao Piao continued to maintain its dominant position as a ticketing platform, and launched the "Taomai VIP" (淘麥 VIP) membership system in collaboration with Damai, which connects film viewing and live performance scenarios to provide users with more services, special offers and peripheral benefits. In terms of services targeting corporate customers, the Group has introduced Yunzhi, a digitalization product that features operational management solutions, providing cinemas with the technological means to manage operations with greater efficiency while reducing operating cost. The marketing matrix, which is jointly created by the one-stop promotion and distribution platform "Beacon", total marketing solutions designer "Dark Horse" and content marketing agency "Taoxiu Media Group", has become a core platform for promotion and distribution covering films/live performance/drama series and variety shows. In addition, other technology products include Cloud Production, a digital management platform that covers the whole process of film production, which also keeps advancing further industrialization of the film and television industry.

To promote deep integration of the pan-entertainment business, the Group starts to provide Damai with entrusted operation services in the 2022/23 financial year, in a bid to improve operational efficiency and jointly explore the potential of live entertainment activities.

Besides, IP merchandising and commercialization business is also a core business of Alibaba Pictures to expand boundaries of the entertainment industry. With a unique vertical industry chain covering the entire upstream and downstream industries, the Group is able not only to explore IP contents, but also build up a service platform and online and offline sales channels focusing on IPs, while complementing and consummating the entire IP vertical industry chain.

With respect to the upstream industry chain, Alibaba Pictures focuses on exploring quality IPs to enable merchants to benefit from the promotion and marketing, while providing consumers with innovative experience and broader vision. The Group has the capability to integrate licensing and marketing by leveraging the advantages of the Alibaba ecosystem, and to build a complete IP2B2C chain through Tmall. By providing ongoing support to top merchants, enabling market for new brands, exploring recent and emerging trends, the Group aims to utilize relevant platforms to facilitate the development of China's licensing business. Meanwhile, Alibaba Pictures' IP downstream industry chain keeps introducing and exploring new ideas. The 2021/22 financial year marked the birth of "KOITAKE", a pop toy brand incubated by the Group. At the same time, the Group has formally named its pop toy flagship store on Tmall as "KOITAKE Flagship Store", and founded a pop lifestyle grocery brand "KOILAND". During the Reporting Period, the widely popular prototype figures based on "*Country Love* (鄉村愛情)" series were exactly from the series products launched by KOITAKE. The new content IP pop toy models led by KOITAKE will not only extend the vitality of content IPs, but also increase the market scale of IP derivatives as a whole, bringing more possibilities for the pop toys and cultural and creative industries.

Benefitting from the strategic first-mover advantage, coupled with the strategic planning and intensive investment in the markets for many years, Alibaba Pictures is able to keep forging ahead against all odds. Looking ahead, the Group will continue to uphold the spirit of ordinary people performing heroic deeds that promote strong sentiment and positive values, and stay true to its mission and objective to build the infrastructure across the entertainment industry value chain, while persisting in innovation and synergy in the midst of changes with in-depth strategic planning in the pan-entertainment industry, and striving to achieve diversified development of business segments and deliver greater value for the Company and the shareholders with business growth.

CHAIRMAN'S STATEMENT

I would like to thank the Board of Directors, all of our business partners, employees, investors and customers for their continued support to the Group amid a macro environment full of uncertainties. With the Group's brand reputation and the outstanding talent of our management team, I am confident that the Group is well-positioned to cope with the complex and volatile market environment and challenges, and look forward to working with our partners to continue to drive the healthy and sustainable development of the entire industry.

Fan Luyuan
Chairman & Chief Executive Officer
Hong Kong, June 1, 2022

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

The Group recorded revenue of approximately RMB3,652 million for the year ended March 31, 2022 (the "Reporting Period"), as compared with revenue of approximately RMB2,859 million for the year ended March 31, 2021 (the "Previous Period"). The significant growth in revenue for the Reporting Period is attributable to, on the one hand, from the Group's ongoing investment in content, which improved the quality and quantity of films and drama series; and on the other hand, from China's effective control of the pandemic which helped the film industry to steer out of the pandemic-induced doldrums gradually. In addition, the Group reported a year-on-year growth in intellectual property(ies) ("IP(s)") merchandising and commercialization business as a result of its continued investments in the IP field and close platform content collaboration. The Group's diversified business structure and enhanced operational efficiency have contributed to the significant turnaround from an operating loss of approximately RMB108 million for the Previous Period into a profit of approximately RMB279 million for the Reporting Period. The adjusted EBITA recorded a profit of approximately RMB143 million for the Reporting Period, representing an increase of 21% as compared with a profit of approximately RMB118 million for the Previous Period. During the Reporting Period, the net profit amounted to RMB154 million, recording a turnaround for the first time as compared with net loss of RMB117 million for the Previous Period.

The major indicators of financial results for the Reporting Period and the Previous Period are summarized in the table below:

	For the year ended March 31,	
	2022	2021
	RMB'000	RMB'000
Operating profit/(loss)	**279,216**	(107,528)
Add:		
Share-based compensation	**146,891**	142,042
Amortization of intangible assets arising on business combinations	**12,642**	14,720
Allowance for and disposal of impairment of long-term assets	**(17,423)**	–
Profit or loss on equity investment and change in fair value, net	**(277,976)**	68,986
Adjusted EBITA	**143,350**	118,220

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

MANAGEMENT DISCUSSION AND ANALYSIS

The segment revenue and results for the Reporting Period and the Previous Period are summarized in the table below:

	For the year ended March 31,			
	Segment revenue		**Segment results**	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
Content	**1,947,857**	1,424,854	**317,493**	344,407
Technology	**1,264,058**	1,126,963	**430,949**	461,670
IP merchandising and commercialization	**440,255**	307,080	**197,103**	161,238
Total	**3,652,170**	2,858,897	**945,545**	967,315

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Content

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

During the Reporting Period, the Group upheld its spirit of ordinary people performing heroic deeds that promote strong sentiment and positive values, while at the same time gripped major themes, such as the 100th anniversary of the founding of the Communist Party of China, the 70th anniversary of China's entry into the Korean war against American forces, as well as China's fight against the COVID-19 pandemic. As a result, the Group produced and distributed many exceptional films in celebration of Chinese spirits, Chinese values, as well as China's strengths and esthetics, including among others, "*The Battle at Lake Changjin* (長津湖)" and its sequel "*Water Gate Bridge* (水門橋)", which advocate heroic spirit and patriotism; and "*Embrace Again* (穿過寒冬擁抱你)", which is about the love stories during the COVID-19 lockdown. The total box office revenue in China recorded a year-on-year increase of approximately RMB6.7 billion to approximately RMB42.9 billion during the Reporting Period, recovering to 73% of the pre-pandemic level. Building on forward planning in the content industry and steady improvement in production and development capabilities, the Group participated in the production and distribution of 44 films during the Reporting Period, generating over approximately RMB26 billion at the box office, accounting for 71% of the box office of domestic films, which demonstrates the Group's insight into high-quality content. Eight of these films ranked among top 10 domestic films in terms of box office for the corresponding period, including "*The Battle at Lake Changjin* (長津湖)" and "*My country, My parents* (我和我的父輩)", which ranked top 1 and top 2 at the box office respectively during the National Day holiday as well as "*Water Gate Bridge* (水門橋)", "*Too Cool To Kill* (這個殺手不太冷靜)" and "*Nice View* (奇跡•笨小孩)", which were top 3 at the box office during the Chinese New Year holiday. Aiming at the advancement of the cultural industry and promoting positive values among the public, the Group secured multi-theme contents while growing its skills in content development and production. Some of the films which the Group participated in their production and distribution, such as "*One Week Friends* (一周的朋友)", "*The Fallen Bridge* (斷橋)" and "*Lost in the stars* (消失的她)", will soon be coming to the theaters.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Technology

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

Platform ticketing business comprises Tao Piao Piao (B2C platform) and Yunzhi (B2B platform). Not only is Tao Piao Piao the Group's key platform which provides ticketing services to cinemas, it is also a platform catering for consumers at large when they make their viewing decisions. In the 2021/22 financial year, Tao Piao Piao continued to maintain its dominant position as a ticketing platform, and launched the "Taomai VIP" (淘麥 VIP) membership system in collaboration with Damai, which connects film viewing and live performance scenes to provide users with more services and benefits. Yunzhi is a digitalization product offering operation and management services to cinemas and a leading cloud-based product in the industry. Yunzhi utilizes technology to help cinemas improve operational and management efficiency while reducing operating costs. During the Reporting Period, Yunzhi continued to rank first among its peers in terms of the number of movie tickets sold.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

IP merchandising and commercialization

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

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

Going forward, the Group will continue to:

1. make significant investments in all categories of entertainment content, and improve its capability to produce various contents, including films and drama series, with a view to remaining a steady source of high-quality content for the market;

2. expand the service scope of its technology platform to promote Internet penetration in and digital upgrade of the industry and explore multiple business models of IP merchandising and commercialization; and

3. identify opportunities that yield sustainable and high-quality growth, while focusing on cost control and operation efficiency.

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

FINANCIAL REVIEW

Revenue and Profit for the Period

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Selling, Marketing and Administrative Expenses

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

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

Finance Income

During the Reporting Period, the Group recorded net finance income of approximately RMB79 million, which included exchange gains of approximately RMB19 million. As the Group's cash reserves are held in multiple currencies, the exchange gain resulted mainly from the depreciation of RMB against USD in the Reporting Period.

Significant Investments

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Resources and Liquidity

As at March 31, 2022, the Group had cash and cash equivalents and bank deposits of approximately RMB3,560 million in multiple currencies. As at March 31, 2022, the Group had no long-term borrowings under a five-year RMB-denominated bank facility with credit limit at approximately RMB48 million, but it had short-term borrowings of RMB9.375 million, which bore interest at 6.405% per annum and were repayable within one year. As at March 31, 2022, the Group was in a net cash position and its gearing ratio (being net borrowings over total equity) was nil (March 31, 2021: nil). The Group actively and regularly reviews and manages its capital structure to maintain a balance between shareholder return and sound capital position. The Group continually makes adjustments, when necessary, to maintain an optimal capital structure and to reduce the cost of capital.

Foreign Exchange Risks

The Company holds its cash reserves in RMB, USD and HKD. Although the majority of production costs and administrative expenses are denominated in RMB, the Group requires foreign currencies for its investments and collaborations with studios outside Mainland China. The Group will continue to monitor its capital needs closely and manage foreign exchange risks accordingly. The Group has not used any currency hedging instruments nor financial instruments for hedging purpose, but it aims to ensure that its exposure to exchange rate fluctuation is managed in a cost-effective manner through ongoing assessment.

Charge on Assets

As at March 31, 2022, the Group had pledged borrowings of approximately RMB9 million, which was secured by fixed assets with a book value of approximately RMB9 million (March 31, 2021: the Group had pledged borrowings of approximately RMB30 million, which was secured by fixed assets of approximately RMB16 million).

Contingent Liabilities

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

Employees and Remuneration Policies

As at March 31, 2022, the Group, including its subsidiaries but excluding its associates, had 1,334 (March 31, 2021: 1,163) employees. The total employee benefit expenses of the Group were RMB649 million in the Reporting Period. The remuneration policies of the Group are determined based on prevailing market levels and performance of the respective group companies and individual employees. These policies are reviewed on a regular basis. The Group strongly believes that our staff is an invaluable asset to the Group and is significant to the Group's business. Therefore, the Group recognizes the importance of maintaining a good relationship with employees. In addition to salary, the Group also offers to its employees other fringe benefits, including year-end bonus, discretionary bonus, share options granted under the Company's share option scheme, awarded shares granted under the Company's share award scheme, contributory provident fund, social security fund, medical benefits and training.

MANAGEMENT DISCUSSION AND ANALYSIS

Material Acquisitions and Disposals

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

Important Events Occurred Since March 31, 2022

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

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. FAN Luyuan, aged 49 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 47 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, 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. Mr. Li is also a non-executive director of AGTech Holdings Limited (Hong Kong Stock Exchange ("SEHK") stock code: 8279).

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 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 Technology Co., Ltd* (亞信科技股份有限公司) 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 42 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 Group on April 9, 2018. Before joining the Group, 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 Group. Prior to joining Alibaba Group, Mr. Meng held auditing and financial advisory positions at various companies, such as E&Y 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. LIU Zheng, aged 43 and appointed to the Board on October 18, 2021, is a non-executive director of the Company. Mr. Liu has been the chief financial officer of Cainiao Smart Logistics Network Limited since February 2016. He served as Senior Finance Director with Alibaba Group and was responsible for the financial operations of TMall, Taobao and Alibaba.com from June 2010 to February 2016. Prior to joining Alibaba Group, he held senior positions in corporate finance management in Vimicro, Sky Flying Media and Hurray Holding from January 2005 to May 2010 and worked at PricewaterhouseCoopers' audit division from July 2001 to December 2004. Mr. Liu is currently a non-executive director of each of ZTO Express (Cayman) Inc. (New York Stock Exchange stock code: ZTO; SEHK stock code: 2057) and AGTech Holdings Limited (SEHK stock code: 8279). Mr. Liu received his bachelor's degree in Business English from Beijing Foreign Studies University in July 2001. Mr. Liu is a member of the American Institute of Certified Public Accountants (AICPA) and a Certified Internal Auditor (CIA).

Independent Non-Executive Directors

Ms. SONG Lixin, aged 54 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 of Talents Magazine and served as its editor-in-chief 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 20 consecutive 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 48 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 the 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.* (Shanghai Stock Exchange ("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 62 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 PricewaterhouseCoopers ("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 and Viva China Holdings Limited (SEHK stock code: 8032) from June 2010 to February 2019.

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 (SEHK 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.

Ms. Lew resigned as a company secretary of the Company on June 30, 2022 in order to focus on the other business affairs of Alibaba Group.

Changes in Directors and Senior Management

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in particulars of Directors and senior management during and after the Reporting Period are set out below:

Mr. Xu Hong ceased to serve as a non-executive director of the Company on October 18, 2021.

Mr. Liu Zheng was appointed as a non-executive director of the Company on October 18, 2021.

Ms. Lew Aishan Nicole ceased to serve as the company secretary of the Company on June 30, 2022.

Ms. Chun Ka Yan was appointed as the company secretary of the Company on June 30, 2022. For details of the biographical information of Ms. Chun, please refer to the announcement of the Company dated June 30, 2022.

* *For identification purpose only*

DIRECTORS' REPORT

The board of directors (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, 2022.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in Note 36 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the financial year ended March 31, 2022 are set out in the consolidated statement of profit or loss on page 140.

The directors of the Company (the "Director(s)") do not recommend the payment of a dividend for the financial year ended March 31, 2022 (2021: nil).

During the financial year ended March 31, 2022 and up to the date of this annual report, there is no arrangement under which any shareholder of the Company has waived or agreed to waive any dividend.

SHARE CAPITAL OF THE COMPANY

Details of share capital of the Company are set out in Note 24 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at March 31, 2022, the Company's distributable reserves calculated in accordance with the provisions of the Bermuda Companies Act amounted to approximately RMB736 million (March 31, 2021: RMB756 million).

BUSINESS REVIEW

The business review of the Group as at March 31, 2022 is set out under the section headed "Management Discussion and Analysis" of this report on pages 6 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 – Management and Disclosure of Material Risks" of this report on pages 87 to 89 and "Directors' Report – Contractual Arrangements – Risks associated with Structured Contracts and the actions taken to mitigate the risks" of this report on pages 65 to 66.

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 244.

DIRECTORS' REPORT

DIRECTORS

The Directors during the financial year ended March 31, 2022 and up to the publication date of this report were:

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

Non-Executive Directors
Mr. Xu Hong *(Resigned on October 18, 2021)*
Mr. Liu Zheng *(Appointed on October 18, 2021)*

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

On October 18, 2021, Mr. Xu Hong resigned as non-executive Director to focus on his other work commitments with Alibaba Group. Mr. Xu has also confirmed that he has no disagreement with the Board. On the same day, Mr. Liu Zheng was appointed as non-executive Director.

Except as disclosed above, no Director had resigned from the office or refused to stand for re-election to the office during the financial year ended March 31, 2022 and up to the date of this report.

In accordance with bye-law 87(2) of the Bye-laws, Mr. Li Jie, Mr. Meng Jun, and Mr. Johnny Chen shall retire from office by rotation at the forthcoming annual general meeting ("AGM") and, all being eligible, have offered themselves for re-election.

In accordance with bye-law 86(2) of the Bye-laws, Mr. Liu Zheng shall hold office only until the forthcoming AGM and, being eligible, offer himself 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, 2022, 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 (Note 1)
			Share Options	Awarded Shares		
Fan Luyuan	Beneficial owner	245,000	11,175,000	4,225,000	15,645,000	0.06%
Li Jie	Beneficial owner	2,304,723	30,625,000	9,000,000	41,929,723	0.16%
Meng Jun	Beneficial owner	46,447	2,280,000	847,500	3,173,947	0.01%

Note:

1. Based on a total of 26,975,740,156 ordinary shares of the Company in issue as at March 31, 2022.

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

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	635,008	5,080,064	0.02%
Li Jie	Note 4	77,347	618,776	0.00%
Meng Jun	Note 5	14,116	112,928	0.00%
Liu Zheng	Note 6	17,710	141,680	0.00%
Tong Xiaomeng	Note 7	117,647	941,176	0.00%
Johnny Chen	Note 8	100	800	0.00%

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 21,528,618,024 ordinary shares of AGH in issue as at March 31, 2022.

3. The interest comprised (i) 2,900 ADSs of AGH and 23,251 RSUs of AGH held by Mr. Fan Luyuan beneficially; and (ii) 608,857 ADSs of AGH held by a trust, of which Mr. Fan Luyuan is a founder.

4. The interest comprised 45,645 ADSs of AGH and 31,702 RSUs of AGH held by Mr. Li Jie beneficially.

5. The interest comprised (i) 6,368 ADSs of AGH and 5,625 RSUs of AGH held by Mr. Meng Jun beneficially; and (ii) 2,123 ADSs of AGH held by the spouse of Mr. Meng Jun.

6. The interest comprised 10,210 ADSs of AGH and 7,500 RSUs of AGH held by Mr. Liu Zheng beneficially.

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

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

DIRECTORS' REPORT

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE *(Continued)*

Long position in the shares and underlying shares of Cainiao Smart Logistics Network Limited ("Cainiao"), an associated corporation of the Company within the meaning of Part XV of the SFO

Name of Director	Capacity	Number of relevant class of shares/ underlying shares of Cainiao held *(class A ordinary shares)*	*(class B ordinary shares)*	Approximate percentage of aggregate interests to total issued share capital of Cainiao *(Note)*
Liu Zheng	Beneficial Owner	5,460,000	5,900,000	0.07%

Note: As at March 31, 2022, the issued share capital of Cainiao was made up of 15,212,555,296 ordinary shares, 448,611,835 class A ordinary shares and 87,690,047 class B ordinary shares; Mr. Liu Zheng was interested in 5,460,000 class A ordinary shares and 5,900,000 class B ordinary shares, representing approximately 1.22% and 6.73% of the relevant class of shares in issue of Cainiao respectively, and was not interested in any ordinary share in issue of Cainiao.

Save as disclosed above, as at March 31, 2022, 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.

SHARE INCENTIVE SCHEMES

2021 Share Option Scheme

The shareholders of the Company approved the adoption of share option schemes 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.

On August 31, 2021, the shareholders of the Company approved the termination of the 2012 Share Option Scheme upon the new share option scheme (the "2021 Share Option Scheme") becoming effective. Following the Stock Exchange's granting the approval of the listing of, and the permission to deal in, the shares of the Company to be issued pursuant to the exercise of the Share Options granted under the 2021 Share Option Scheme, the adoption of the 2021 Share Option Scheme and the termination of the 2012 Share Option Scheme have become effective from September 6, 2021. All outstanding Share Options granted under the 2012 Share Option Scheme shall remain valid and exercisable in accordance with the terms thereof.

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

2021 Share Option Scheme *(Continued)*

The following is a summary of the principal terms of the rules of the 2021 Share Option Scheme:

Purpose

The purpose of the 2021 Share Option Scheme is to enable the Company to grant Share Options to selected Participants (as defined in the paragraph headed "Participants" below) as incentives 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 for 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 2021 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 director) 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 counterparty to business operation or business arrangements of the Group,

who the Board considers, in its sole discretion, has contributed or will contribute to the Company, and for the purposes of the 2021 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)*

2021 Share Option Scheme *(Continued)*

Duration and Administration

The 2021 Share Option Scheme shall be valid and effective for the period ("Scheme Period") commencing on the date on which the 2021 Share Option Scheme becomes unconditional (being September 6, 2021, 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 2021 Share Option Scheme is terminated pursuant to the rules of the 2021 Share Option Scheme.

After the Scheme Period, no further Share Options will be granted or accepted but the provisions of the 2021 Share Option Scheme shall remain in full force and effect in all other respects.

The 2021 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 2021 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 2021 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 (including but not limited to imposing vesting period(s) for the Share Options) (which shall not be inconsistent with the terms of the 2021 Share Option Scheme) as the Board may think fit, a Share Option to subscribe for such number of shares of the Company (as may be permitted under the terms of the 2021 Share Option Scheme) as the Board may determine at the Subscription Price (as defined in the paragraph headed "Subscription Price" below).

An offer of the grant of a Share Option shall be made to a Participant by letter in such form or means (including in hard copy or electronic format) as the Board may from time to time determine requiring such Participant to whom any offer of the grant of a Share Option is made ("Offeree") to undertake to hold the Share Option on the terms on which it is to be granted and to be bound by the provisions of the 2021 Share Option Scheme (the "Offer Letter"). 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.

A Share Option shall be deemed to have been accepted when (a) (where applicable) the duplicate of the Offer Letter and/or (b) the acceptance form of such offer is duly signed and dated by the Offeree in such form and means as specified in the Offer Letter, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof is received or deemed to be received by the Company within the Acceptance Period. Such remittance shall in no circumstances be refundable.

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

2021 Share Option Scheme *(Continued)*

Grant of Share Options *(Continued)*

The grant of Share Options to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) under the 2021 Share Option Scheme 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 2021 Share Option Scheme in consequence of the death of the original grantee) of the Share Option(s) in question).

Where the grant of Share Options to 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 already granted and to be granted (including all the exercised, cancelled and outstanding Share Options) to such connected person (as defined in the Listing Rules) in any 12-month period up to and including the date of grant, representing in aggregate more than 0.1% of the shares of the Company in issue for the time being and having the aggregate value (based on the closing price of the shares of the Company) of which is in excess of HK$5,000,000, such further grant of Share Options must be approved by the shareholders of the Company in general meeting.

Subscription Price

The price per share of the Company at which a grantee may subscribe for shares of the Company on the exercise of a Share Option ("Subscription 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 Subscription Price is fixed at different prices for different periods during a period of 10 years commencing on the date of grant of a Share Option and expiring on the last day of the said 10-year period (the "Option Period") provided that the Subscription Price for each of the different periods shall not be less than the Subscription Price determined in the manner set out in the paragraph above.

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

2021 Share Option Scheme *(Continued)*

Exercise of Share Options

A Share 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 Share 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.

Subject to other provisions in the 2021 Share Option Scheme, the Offer Letter and any restrictions which may be imposed by the Board or applicable under the Listing Rules and notwithstanding the terms of grant thereof, the Share Option, to the extent it is vested and has not expired, may be exercised by the grantee at any time during the Option Period, provided that, among others, at the time of exercise of the Share 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 a Share 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 a Share Option.

Maximum Limit

The maximum number of shares of the Company which may be issued upon exercise of all outstanding Share Options granted and yet to be exercised under the 2021 Share Option Scheme and any other schemes of the Company shall not exceed 30% of the shares of the Company in issue from time to time. No Share Option may be granted under the 2021 Share Option Scheme and any other schemes of the Company 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 2021 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 2021 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 2021 Share Option Scheme and any other schemes of the Company must not, in aggregate, exceed 2,683,678,641 Shares, representing 10% of the shares of the Company in issue as at the Option Scheme Adoption Date (the "Scheme Mandate Limit"). Share Options lapsed in accordance with the terms of the 2021 Share Option Scheme will not be counted for the purpose of calculating the 10% limit.

If the Company conducts a share consolidation or subdivision after the 10% limit has been approved in general meeting, the maximum number of shares of the Company that may be issued upon exercise of all Share Options to be granted under the 2021 Share Option Scheme and any other schemes of the Company under the 10% limit as a percentage of the total number of issued shares of the Company at the date immediately before and after such consolidation or subdivision shall be the same.

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.

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

2021 Share Option Scheme *(Continued)*

Individual Limit

The total number of shares of the Company issued and to be issued upon exercise of the Share Options granted to each grantee (including both exercised and outstanding Share Options) in any 12-month period 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 of the Company 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 close associates (as defined in the Listing Rules) (or his associates if he is a connected person (as defined in the Listing Rules)) abstaining from voting.

As at the date of this annual report, the total number of shares of the Company available for issue under the 2021 Share Option Scheme was 2,683,678,641 shares, representing approximately 9.95% of the total number of shares of the Company in issue.

Movements of Share Options

During the financial year ended March 31, 2022, no Share Option was granted under the 2021 Share Option Scheme.

As at March 31, 2022, a total of 239,785,600 Share Options had been granted and remained outstanding under the 2012 Share Option Scheme, representing approximately 0.89% 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. Further details of the 2012 Share Option Scheme are set out in Note 25 to the consolidated financial statements.

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

2021 Share Option Scheme *(Continued)*

Movements of Share Options *(Continued)*

Movements of the Share Options granted by the Company pursuant to the 2012 Share Option Scheme during the financial year ended March 31, 2022 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, 2021	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at March 31, 2022	Vesting period *(Notes)*
Directors											
Fan Luyuan	05/06/2020	1.070	1.050	–	3,675,000	–	–	–	–	3,675,000	1(iv)
	16/06/2021	1.066	1.060	–	–	7,500,000	–	–	–	7,500,000	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)
	16/06/2021	1.066	1.060	–	–	5,625,000	–	–	–	5,625,000	1(ii)
Meng Jun	05/06/2020	1.070	1.050	–	780,000	–	–	–	–	780,000	1(ii)
	16/06/2021	1.066	1.060	–	–	1,500,000	–	–	–	1,500,000	1(ii)
Employees	28/01/2015	1.670	1.650	–	600,000	–	–	–	–	600,000	1(i)
	13/04/2016	1.880	1.890	–	5,200,000	–	–	–	–	5,200,000	1(ii)
	03/06/2016	1.860	1.860	–	5,700,000	–	–	5,250,000	–	450,000	1(ii)
	05/12/2016	1.494	1.470	–	600,000	–	–	600,000	–	0	1(i)
	24/10/2017	1.276	1.270	–	6,200,000	–	–	–	–	6,200,000	1(ii)
	18/01/2018	1.060	1.070	–	1,200,000	–	–	–	–	1,200,000	1(i)
	21/05/2018	0.912	0.910	–	10,670,000	–	–	2,970,000	–	7,700,000	1(i)
	21/05/2018	0.912	0.910	1.080	31,800,000	–	50,200	1,749,800	–	30,000,000	1(ii)
	26/09/2018	1.020	1.010	1.078	11,499,000	–	890,000	1,060,000	–	9,549,000	1(i)
	26/09/2018	1.020	1.010	1.080	14,050,000	–	700,000	2,100,000	–	11,250,000	1(ii)
	31/05/2019	1.630	1.600	–	7,800,000	–	–	–	–	7,800,000	1(i)
	31/05/2019	1.630	1.600	–	36,944,500	–	–	3,343,500	–	33,601,000	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	–	–	700,000	–	700,000	1(i)
	23/09/2019	1.340	1.320	–	17,250,000	–	–	3,600,000	–	13,650,000	1(ii)
	15/01/2020	1.460	1.470	–	11,100,000	–	–	1,100,000	–	10,000,000	1(i)
	05/06/2020	1.070	1.050	1.080	40,469,600	–	200,000	4,364,000	–	35,905,600	1(ii)
	05/06/2020	1.070	1.050	–	1,500,000	–	–	–	–	1,500,000	1(i)
	11/09/2020	1.144	1.100	–	23,500,000	–	–	6,700,000	–	16,800,000	1(ii)
	11/09/2020	1.144	1.100	–	1,000,000	–	–	1,000,000	–	0	1(i)
	16/06/2021	1.066	1.060	–	–	2,100,000	–	2,100,000	–	0	1(i)
Total:					**261,538,100**	**16,725,000**	**1,840,200**	**36,637,300**	**–**	**239,785,600**	

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

2021 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 the relevant 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 the relevant 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.

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

2021 Share Option Scheme *(Continued)*

Notes: *(Continued)*

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: *(Continued)*

   (iv) Category D

Vesting Date	**Percentage that can be exercised**
First vesting date (being first anniversary of the relevant performance incentive date)	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 performance incentive date of the relevant grantee, 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.

Share Award Scheme

The share award scheme of the Company ("Share Award Scheme") was adopted by the Board on December 30, 2016 ("Adoption Date") and amended on March 29, 2019 and January 17, 2020, 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").

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

Share Award Scheme *(Continued)*

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, 2022, the remaining life of the Share Award Scheme is approximately 10 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.

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.

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

Share Award Scheme *(Continued)*

Operation *(Continued)*

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.

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.

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

Share Award Scheme *(Continued)*

Vesting and Lapse *(Continued)*

n 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, 2022, 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, 2021	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, 2022
28/07/2017	183,060,000 *(Notes 1 & 13)*	1.310	660,000	–	660,000	–	–
27/10/2017	79,449,000 *(Notes 2 & 13)*	1.250	2,232,000	–	2,232,000	–	–
18/01/2018	18,320,000 *(Notes 3 & 13)*	1.070	1,500,000	–	1,500,000	–	–
21/05/2018	94,378,600 *(Notes 4 & 13)*	0.910	23,432,150	–	12,796,075	2,333,995	8,302,080
26/09/2018	50,120,000 *(Notes 5 & 13)*	1.010	15,160,000	–	6,530,000	2,520,000	6,110,000
31/05/2019	145,872,700 *(Notes 6 & 13)*	1.600	77,224,376	–	26,048,125	9,190,650	41,985,601
23/09/2019	35,870,000 *(Notes 7 & 13)*	1.320	21,385,000	–	7,035,000	3,660,000	10,690,000
15/01/2020	12,850,000 *(Notes 8 & 13)*	1.470	10,100,000	–	4,350,000	1,775,000	3,975,000
05/06/2020	127,281,100 *(Notes 9 & 13)*	1.050	109,935,900	–	27,361,475	14,334,225	68,240,200
11/09/2020	37,760,000 *(Notes 10 & 13)*	1.100	30,740,000	–	5,705,000	8,910,000	16,125,000
16/06/2021	144,803,746 *(Notes 11 & 13)*	1.060	–	144,803,746	–	22,616,376	122,187,370
09/09/2021	28,420,000 *(Notes 12 & 13)*	0.850	–	28,420,000	–	960,000	27,460,000
Total:	**784,961,400**		**292,369,426**	**173,223,746**	**94,217,675**	**66,300,246**	**305,075,251**

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. Among these Awarded Shares, 3,000,000 Awarded Shares, 2,250,000 Awarded Shares and 600,000 Awarded Shares were granted to Mr. Fan Luyuan, Mr. Li Jie and Mr. Meng Jun respectively, each an executive director of the Company. The remaining 138,953,746 Awarded Shares were granted to 410 employees of the Company who are not connected persons of the Company.

12. These Awarded Shares were granted to 55 employees of the Company who are not connected persons of the Company.

13. 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.

DIRECTORS' REPORT

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, 2022 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' 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 34 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, 2022 or at any time during the financial year ended March 31, 2022.

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, 2022.

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 14 of this report.

The Group seeks to maintain good and effective communication with our customers to gain their feedback and understand their needs and demands, thereby further improving our products and services and providing better customer experience.

The success of our businesses depends on a long-term relationship with our suppliers. The Group therefore makes great efforts to develop and maintain a good relationship with suppliers so as to better understand the development of the market and manage the supply chain.

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

DIRECTORS' REPORT

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, 2022. 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, 2022 and up to the date of this report, to the best knowledge of the Directors, the Group had complied with applicable laws, rules and regulations that have a significant impact on the Company in all material respects.

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, its staff can accomplish some of their administrative work electronically which reduces the use of office supplies. The Group also encourages prudent electricity consumption. Its 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 93 to 126.

MAJOR CUSTOMERS AND SUPPLIERS

During the financial year ended March 31, 2022, 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, 2022, 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 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 50.0007% of the issued share capital of the Company, and is hence a connected person of the Company;

(2) 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;

(3) 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;

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

(4) 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;

(5) 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;

(6) Ant Group Co., Ltd. (螞蟻科技集團股份有限公司) ("Ant Group"), which is a 30%-controlled company of AGH. Accordingly, Ant Group is an associate of Ali CV and a connected person of the Company;

(7) 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;

(8) 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;

(9) 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;

(10) 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;

(11) 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;

(12) 北京優酷科技有限公司 (Beijing Youku Technology Co., Ltd.*) ("Youku Technology"), which is an indirect wholly-owned 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) 杭州菜鳥供應鏈管理有限公司 (Hangzhou Cainiao Supply Chain Management Co., Ltd.*) ("Hangzhou Cainiao"), which is an indirect non-wholly-owned subsidiary of AGH. Accordingly, Hangzhou Cainiao is an associate of Ali CV and a connected person of the Company; and

(15) 北京大麥文化傳媒發展有限公司 (Beijing Damai Cultural Media Development Co., Ltd.*) ("Beijing Damai"), which is a consolidated entity of AGH. Accordingly, Beijing Damai is an associate of Ali CV and a connected person of the Company.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions

(1) ***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.

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. On March 30, 2020, the Company and AGH entered into a supplemental agreement to the Renewed Shared Services Agreement, pursuant to which, the scope of the software development and technological services under the Renewed Shared Services Agreement was expanded to cover the technological services contemplated under the Renewed Technology Services Agreement dated July 16, 2018 entered into between the Company and AGH, which had expired on March 31, 2020.

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 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 ended/ending March 31, 2022, March 31, 2023 and March 31, 2024 are RMB105,000,000, RMB110,000,000 and RMB115,000,000, respectively. The actual service fees paid/payable by the Group to AGH and its affiliates for the services under the Second Renewal of the Shared Services Agreement for the financial year ended March 31, 2022 amounted to approximately RMB80,284,000.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(2) *Renewed Operating Service Agreement*

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 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 April 1, 2021 and ending on March 31, 2024. Pursuant to the Renewed Operating Service Agreement, Zhonglian Shengshi will provide such services which are necessary to operate Tmall on behalf of the Tmall Entities in relation to relevant categories (such as action figures, film & TV & entertainment merchandise, board & card games, cosplay, etc.), including exercising rights and discharging obligations under the relevant contracts between merchants and the Tmall Entities and their affiliates on behalf of the Tmall Entities, providing customer services and marketing services, conducting evaluation on merchants and quality control checks on merchandise, and taking action for any breach of contract by any merchant (the "Operating Services"). The annual caps for the transactions contemplated under the Renewed Operating Service Agreement for the three financial years ended/ending March 31, 2022, March 31, 2023 and March 31, 2024 are RMB100,000,000, RMB120,000,000 and RMB140,000,000, respectively. The actual service fees paid/payable by Tmall Entities to Zhonglian Shengshi under the Renewed Operating Service Agreement for the financial year ended March 31, 2022 amounted to approximately RMB96,583,000.

(3) *Renewed Sublease Agreement*

On March 24, 2021 (Pacific Time), Alibaba Pictures LLC ("Alibaba Pictures LLC"), an indirect wholly-owned subsidiary of the Company, as sublandlord, entered into a renewed sublease agreement (the "Renewed Sublease Agreement I") with Alibaba US, as subtenant, 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 ended/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, as sublandlord, entered into a renewed sublease agreement (the "Renewed Sublease Agreement II") with Wavelets, as subtenant, for a term commenced from April 1, 2021 and ended on March 31, 2022. Pursuant to the Renewed Sublease Agreement II, Alibaba Pictures LLC agreed to sublease to Wavelets a portion (with a rentable area of approximately 795.41 square feet) of the master lease premises and additional work stations located in the creative room in the master lease premises (the "Additional Space"). The annual cap of the rent (including the rent for the Additional Space 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 ended March 31, 2022 was US$105,103.20.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(3) *Renewed Sublease Agreement* *(Continued)*

In order to improve the Group's operational effectiveness and cost efficiency, Alibaba Pictures LLC entered into a termination agreement with the landlord to early terminate the master lease agreement entered into between the landlord and Alibaba Pictures LLC dated June 1, 2015 (as amended by the parties on March 17, 2016) early. Accordingly, on December 12, 2021 (Pacific Time), Alibaba Pictures LLC entered into termination agreements with Alibaba US and Wavelets respectively, pursuant to which the relevant parties agreed that the sublease terms under the Renewed Sublease Agreement I and the Renewed Sublease Agreement II would be expired and terminated on December 15, 2021 (Pacific Time). Pursuant to the termination agreement between Alibaba Pictures LLC and Wavelets, Alibaba Pictures LLC waived the rental payment and office administrative costs for December 2021 payable by Wavelets in the total amount of US$3,649.64 (the "Waived Amount"), and paid Wavelets US$3,649.64 for the early termination of the Renewed Sublease Agreement II. The actual rent incurred under the Renewed Sublease Agreement I and the Renewed Sublease Agreement II for the financial year ended March 31, 2022 amounted to approximately US$646,000 and US$28,000 (after deducting the Waived Amount) respectively.

(4) *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 years ended March 31, 2021 and March 31, 2022 amounted to approximately RMB36,165,000 and RMB39,464,000 respectively.

(5) *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.*) (now known as 北京阿里巴巴影業文化有限公司 (Beijing Alibaba Pictures Culture Co., Ltd.*), "Beijing Alibaba Pictures"), 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 Alibaba Pictures (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 advertising and relevant 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 advertising and relevant services under the Second Renewed Marketing Cooperation Framework Agreement for the financial years ended March 31, 2021 and March 31, 2022 amounted to approximately RMB4,003,000 and RMB2,338,000 respectively.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(6) Entertainment Works Cooperation Framework Agreement

On March 31, 2020, 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 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, (i) 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 (ii) 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 years ended March 31, 2021 and March 31, 2022, (i) 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 RMB6,853,000 respectively; and (ii) 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 and RMB7,102,000 respectively.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(7) *Talent Agency Cooperation Framework Agreement and Renewed 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 ended 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) to perform the relevant tasks (such as performances, celebrity endorsement in advertising, commercial and non-commercial business activities, development of celebrity products and personal brands, management of personal interests (including but not limited to the right to control the use of one's name, image and reputation) and any other matters relating to the entertainment career(s) of Cool Young's artist(s)) (the "Relevant Tasks") as required by AGH or any of its affiliates or any of their third-party clients 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) to perform the Relevant Tasks as required by such third-party client, and receives the agency service fees from Cool Young. For the three financial years ended 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, March 31, 2021 and March 31, 2022, (i) 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, RMB29,993,000 and RMB43,884,000, respectively; and (ii) the actual agency service fees paid/payable by Cool Young to AGH and any of its affiliates under the Talent Agency Cooperation Framework Agreement amounted to approximately nil, nil and RMB47,000, respectively.

On March 28, 2022, Cool Young entered into a renewed talent agency cooperation framework agreement (the "Renewed Talent Agency Cooperation Framework Agreement") with AGH, for a term commenced from April 1, 2022 and ending on March 31, 2025, to renew the Talent Agency Cooperation Framework Agreement. For the three financial years ending March 31, 2023, March 31, 2024 and March 31, 2025, (i) the annual caps of the engagement fees payable by AGH and any of its affiliates to Cool Young under the Renewed Talent Agency Cooperation Framework Agreement are RMB75,000,000, RMB100,000,000 and RMB120,000,000, respectively; and (ii) the annual caps of the agency service fees payable by Cool Young to AGH and any of its affiliates under the Renewed Talent Agency Cooperation Framework Agreement are RMB4,500,000, RMB6,000,000 and RMB6,000,000, respectively.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(8) *Commercial Development Services Agreement and Renewed 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 ended 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 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, March 31, 2021 and March 31, 2022 amounted to approximately RMB34,936,000, RMB40,993,000 and RMB40,074,000 respectively.

On March 25, 2022, Cool Young entered into a renewed commercial development services agreement (the "Renewed Commercial Development Services Agreement") with Youku Information to renew the Commercial Development Services Agreement for a term commenced from April 1, 2022 and ending on March 31, 2025. The annual caps of the service fees under the Renewed Commercial Development Services Agreement for each of the three financial years ending March 31, 2023, March 31, 2024 and March 31, 2025 are RMB80,000,000.

(9) *Electronic Voucher Codes Procurement Framework Agreement I and Renewed 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 ended 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 can 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 March 31, 2020, March 31, 2021 and March 31, 2022 are RMB12,000,000, 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, March 31, 2021 and March 31, 2022 amounted to approximately RMB3,190,000, RMB9,351,000 and RMB867,000 respectively.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(9) Electronic Voucher Codes Procurement Framework Agreement I and Renewed Electronic Voucher Codes Procurement Framework Agreement I *(Continued)*

On March 25, 2022, Hangzhou TPP entered into the Renewed Electronic Voucher Codes Procurement Framework Agreement I (the "Renewed Electronic Voucher Codes Procurement Framework Agreement I") with AGH for a term commenced from April 1, 2022 and ending on March 31, 2025, to renew the Electronic Voucher Codes Procurement Framework Agreement I. The expected maximum annual transaction amount of the procurement under the Renewed Electronic Voucher Codes Procurement Framework Agreement I for the three financial years ending March 31, 2023, March 31, 2024 and March 31, 2025 will not exceed HK$3,000,000, entering into the Renewed Electronic Voucher Codes Procurement Framework Agreement I is therefore exempt from the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(10) 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 to 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 March 31, 2020, March 31, 2021 and March 31, 2022 is RMB600,000,000.

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 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.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

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

The actual aggregate amount of copyright fees, commercial development fees and distribution agency fees charged/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, March 31, 2021 and March 31, 2022 amounted to approximately RMB18,102,000, RMB548,409,000 and RMB791,899,000 respectively.

(11) Copyrights Procurement Framework Agreement and Renewed 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 ended 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 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, March 31, 2021 and March 31, 2022 were approximately RMB5,755,000, nil and RMB943,000 respectively.

On March 31, 2022, Alibaba Pictures (Tianjin) entered into a renewed copyrights procurement framework agreement (the "Renewed Copyrights Procurement Framework Agreement") with Youku Technology to renew the Copyrights Procurement Framework Agreement, for a term commenced from April 1, 2022 and ending on March 31, 2025. The annual caps in respect of the procurement of the Copyrights on the Target Works under the Renewed Copyrights Procurement Framework Agreement for the three financial years ending March 31, 2023, March 31, 2024 and March 31, 2025 are RMB40,000,000.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(12) *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 ended 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 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, March 31, 2021 and March 31, 2022 were approximately RMB292,000, nil and nil respectively.

(13) *Marketing and Promotion Services Framework Agreement I and Renewed Marketing and Promotion Services Framework Agreement I*

On August 21, 2020, Beijing Alibaba Pictures 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 ended on March 31, 2022. Pursuant to the Marketing and Promotion Services Framework Agreement I, Beijing Alibaba Pictures 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 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 Alibaba Pictures 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; and (ii) the annual caps for the total fees payable by Beijing Alibaba Pictures 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.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(13) *Marketing and Promotion Services Framework Agreement I and Renewed Marketing and Promotion Services Framework Agreement I* *(Continued)*

On November 25, 2020, Beijing Alibaba Pictures 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 Alibaba Pictures 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 on March 31, 2021 and March 31, 2022, respectively.

For the financial years ended March 31, 2021 and March 31, 2022, (i) the actual total fees paid/payable by Youku Information and/or Cool Young and/or any of their affiliates to Beijing Alibaba Pictures 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 RMB11,436,000 respectively; and (ii) the actual total fees paid/payable by Beijing Alibaba Pictures 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 were nil.

On March 30, 2022, Beijing Alibaba Pictures and Beijing Taoxiu entered into the renewed marketing and promotion services framework agreement I (the "Renewed Marketing and Promotion Services Framework Agreement I") with Youku Information and Cool Young for a term commenced from April 1, 2022 and ending on March 31, 2025, to renew the Marketing and Promotion Services Framework Agreement I and to expand the scope of services to cover cooperations in relation to talent agency commercial development and copyrights procurement of short-form and medium-form videos. For the three financial years ending on March 31, 2023, March 31, 2024 and March 31, 2025, (i) the annual caps for the total fees payable by Youku Information and/or Cool Young and/or any of their affiliates to Beijing Alibaba Pictures and/or Beijing Taoxiu and/or any of their affiliates with respect to the transactions contemplated under the Renewed Marketing and Promotion Services Framework Agreement I are RMB78,000,000, RMB88,000,000 and RMB98,000,000, respectively; and (ii) the annual caps for the total fees payable by Beijing Alibaba Pictures 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 Renewed Marketing and Promotion Services Framework Agreement I are RMB15,000,000, RMB18,000,000 and RMB22,000,000, respectively.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(14) 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 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; and (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 years ended March 31, 2021 and March 31, 2022, (i) the total actual investment amount made by the Company and/or its affiliates and the total actual fees paid/payable by the Company and/or its affiliates to Youku Information and/or its affiliates under the Variety Shows Cooperation Framework Agreement were nil; and (ii) the total actual fees paid/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 and RMB26,979,000, respectively.

(15) Marketing & Promotion Services Framework Agreement II

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 ended 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 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; and (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.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(15) Marketing & Promotion Services Framework Agreement II *(Continued)*

For the financial years ended March 31, 2021 and March 31, 2022, (i) the total actual service fees paid/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 and nil, respectively; and (ii) the total actual service fees paid/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 were nil.

(16) 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 (i) 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 (ii) exclusively provide the advertising services to Youku Tudou and/or any of its affiliates.

On August 6, 2021, Shanghai Alibaba Pictures entered into a supplemental agreement with Youku Tudou to revise certain terms of the Advertising Services and IP Commercialization Cooperation Framework Agreement, including (i) Shanghai Alibaba Pictures and/or any of its affiliates will provide advertising services on a non-exclusive basis to Youku Tudou and/or any of its affiliates; and (ii) the fees receivable by Shanghai Alibaba Pictures and/or its affiliates from Youku Tudou and/or its affiliates (as agent for and on behalf of their respective clients) for the provision of the advertising services to promote the products or services of clients of Youku Tudou and/or its affiliates shall be 70% of the total advertising fees, which is calculated based on the actual usage of the advertising resources and services by the clients of Youku Tudou and/or any of its affiliate (as measured by the number of days that the relevant advertisement has been placed and displayed on the ticketing platforms and channels operated by Shanghai Alibaba Pictures and/or any of its affiliates) and the published standard service fee (as amended by Shanghai Alibaba Pictures and/or any of its affiliates from time to time), at a pre-determined discount rate, which is subject to downward or upward adjustments (prior written consent from Shanghai Alibaba Pictures is required in case of an upward adjustment) by Youku Tudou and/or its affiliates to cater for different commercial circumstances and with reference to the specific location or the space at which the relevant advertisement is placed or displayed.

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 each of the two financial years ended/ending March 31, 2022 and March 31, 2023 are RMB41,000,000 and RMB46,000,000 respectively. The actual service fees received/receivable by Shanghai Alibaba Pictures and its affiliates from Youku Tudou and/or its affiliates under the Advertising Services and IP Commercialization Cooperation Framework Agreement for the financial year ended March 31, 2022 amounted to approximately RMB14,725,000.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(17) Warehousing and Logistics Services Framework Agreement

On June 17, 2021, 天津端盒拿趣科技有限公司 (Tianjin Duanhenaqu Technology Co., Ltd.*) ("Tianjin Duanhenaqu"), a consolidated subsidiary of the Company, and Hangzhou Cainiao, an indirect non-wholly-owned subsidiary of AGH, entered into a warehousing and logistics services framework agreement (the "Warehousing and Logistics Services Framework Agreement") for a term commenced from June 17, 2021 and ending on March 31, 2023. Pursuant to the Warehousing and Logistics Services Framework Agreement, Tianjin Duanhenaqu and/or its affiliates may procure warehousing services, distribution services, packaging services, system services, training service, customer services and other warehousing and logistics related services from Hangzhou Cainiao and/or its affiliates. The annual caps for the total fees payable by Tianjin Duanhenaqu and/or its affiliates to Hangzhou Cainiao and/or its affiliates with respect to the transactions contemplated under the Warehousing and Logistics Services Framework Agreement for the financial years ended/ending March 31, 2022 and March 31, 2023 are fixed at RMB15,000,000 and RMB30,000,000, respectively. The actual service fees paid/payable by Tianjin Duanhenaqu and/or its affiliates to Hangzhou Cainiao and/or its affiliates with respect to the Warehousing and Logistics Services Framework Agreement for the financial year ended March 31, 2022 amounted to approximately RMB2,210,000.

(18) Operation Services Agreement

On February 8, 2022, Zhonglian Shengshi, an indirect wholly-owned subsidiary of the Company, and Beijing Damai, a consolidated entity of AGH, entered into an operation services agreement (the "Operation Services Agreement"), for a term commenced from April 1, 2022 and ending on March 31, 2025. Pursuant to the Operation Services Agreement, Beijing Damai (for itself and its affiliates) agreed to engage Zhonglian Shengshi and/or its affiliates to exclusively provide a full range of operation services, including (i) entering into business cooperation agreements ("Business Agreements") with different live performance programme organizers, performance venue owners, exhibition organizers, other event organizers or related working parties for and on behalf of Beijing Damai and/or its affiliates; (ii) exercising rights (including rights to defend or initiate litigation proceedings or arbitration in the name of Beijing Damai and/or its affiliates) and fulfilling obligations (including but not limited to the provision of ticketing system and ticketing services) for and on behalf of Beijing Damai and/or its affiliates under the Business Agreements; (iii) managing, maintaining, developing or upgrading the ticketing system and sales channels operated by Beijing Damai, its affiliates or independent working parties; and (iv) providing other administrative management services and personnel support as required by Beijing Damai and/or its affiliates to Beijing Damai and/or its affiliates. The annual caps for the total service fees payable by Beijing Damai and/or its affiliates to Zhonglian Shengshi with respect to the transactions contemplated under the Operation Services Agreement for the financial years ending March 31, 2023, March 31, 2024 and March 31, 2025 are RMB450,000,000. The Operation Services Agreement and the transactions contemplated thereunder (including the annual caps) were approved, confirmed and ratified by the independent shareholders of the Company at the special general meeting held on March 29, 2022.

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, 2022.

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 34 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, 2022, 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)*

During the financial year ended March 31, 2021, 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. 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. Therefore, the Group terminated the contractual arrangements for its cinema operation business in September 2021 and has carried out its cinema operation business through direct ownership since then.

Save as disclosed above, during the financial year ended March 31, 2022, 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)	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 release 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
Hangzhou Youwu Culture Communication Co., Ltd.* (杭州魷物文化傳播有限公司)	Alibaba Shouquanbao (Tianjin) Culture Communication Co., Ltd.	100%	Digital collectibles issuance, establishment of platforms

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 Microcosmic 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
Horgos Xiaoyuzhou Movie & TV Culture Co., Ltd.* (霍爾果斯小宇宙影視文化有限公司)	Zhejiang Dongyang Microcosmic Movie & Media Co., Ltd.	100%	Investment in and production and distribution of film copyrights
Beijing Blue Sky Dark Horse Culture Media Co., Ltd.* (北京藍天黑馬文化傳媒有限公司)	Zhejiang Dongyang Microcosmic 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 Blue Sky Dark Horse 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
Beijing Imagination Infinity Culture Media Co., Ltd.* (北京想象力無限文化傳媒有限公司)	Beijing Blue Sky Dark Horse 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 Blue Sky Dark Horse Culture Media Co., Ltd.	100%	Film distribution and marketing
Beijing Xiangyang Culture Media Co., Ltd.* (北京象樣文化傳媒有限公司)	Beijing Blue Sky Dark Horse Culture Media Co., Ltd.	100%	Film distribution 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
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
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
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
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

DIRECTORS' REPORT

CONTRACTUAL ARRANGEMENTS *(Continued)*

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

Name of Subsidiary	Holding Company	Ownership	Principal Activities
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
Tianjin Byte Qiyuan Business 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
Hainan Lingjing Culture Technology Co., Ltd.* (海南靈境文化科技有限公司)	Hangzhou Kangmai Investment & Management Co., Ltd.	100%	Digital collectibles issuance
Tianjin Ju You Yin Li Movie & TV Culture Communication Co., Ltd.* (天津劇有引力影視文化傳播有限公司)	Hangzhou Kangmai Investment & Management Co., Ltd.	100%	Production, distribution 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
Taomailang (Beijing) Technology Co., Ltd.* (淘麥郎(北京)科技有限公司)	Hangzhou Kangmai Investment & Management Co., Ltd.	100%	Computer system services
Beijing Ju You Xin Yi Movie & TV Culture Co., Ltd.* (北京劇有心意影視文化有限公司)	Beijing Ju You Xiang Fa Movie & TV Culture Communication Co., Ltd.	100%	Production of broadcasting & television programs
Fuzhou As One Movie & TV Culture Communication Co., Ltd* (福州淇心劇力影視文化傳播有限公司)	Beijing Ju You Xiang Fa Movie & TV Culture Communication Co., Ltd.	100%	Production and distribution of broadcasting & television programs
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 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
Hainan Bianchu Tuteng Movie & Media Co., Ltd.* (海南編出圖騰影視傳媒有限公司)	Hainan Alibaba Pictures Co., Ltd.	100%	Literary and artistic creation, film production services, digital content production services

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

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:

(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 interest, 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 repayment 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.

(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.

DIRECTORS' REPORT

CONTRACTUAL ARRANGEMENTS *(Continued)*

Structured Contracts in place *(Continued)*

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

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 the Group's entertainment content production, distribution 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 the Structured Contracts may not be enforceable under PRC laws;

- The Structured Contracts may not be as effective in providing control over the Group's OPCOs as equity ownership;

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

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

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

DIRECTORS' REPORT

CONTRACTUAL ARRANGEMENTS *(Continued)*

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

- The future interpretation and implementation of the newly enacted Foreign Investment Law of the PRC (the "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 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 Foreign Investment Law, and the Group will closely monitor the development of the 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 Foreign Investment Law on the New Contractual Arrangements and the relevant business operations in due course.

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

DIRECTORS' REPORT

CONTRACTUAL ARRANGEMENTS *(Continued)*

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, 2022	Assets (RMB'000) (proportionate % to the Group) As at March 31, 2022
Zhonglian Jinghua (Consolidated)	1,369,060 (37%)	3,041,557 (20%)
Beijing Ali Tao (Consolidated)	1,228,364 (34%)	4,669,369 (30%)
Shanghai Tao Piao Piao (Consolidated)	34,912 (1%)	157,114 (1%)

* *For identification purpose only*

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at March 31, 2022, 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	50.0007%
Alibaba Investment Limited ("AIL")	Interest of controlled corporation *(Note 1)*	13,488,058,846	Long position	50.0007%
AGH	Interest of controlled corporation *(Note 1)*	13,488,058,846	Long position	50.0007%
Bian Ximing/Yang Minghua	Beneficial owner	1,865,160,000	Long position	6.91%

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, 2022, 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, 2022, the Company had a total of 26,975,740,156 shares in issue.

Save as disclosed above, as at March 31, 2022, 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' REPORT

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 Company's existing shareholders.

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 7, 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.

Set out below are (i) a detailed breakdown and description of the net proceeds from the Subscription used during the financial year ended March 31, 2022; and (ii) a detailed breakdown and description of the intended use of the remaining net proceeds from the Subscription as at March 31, 2022:

Use of proceeds	**Unused net proceeds as at April 1, 2021**	**Used net proceeds during the financial year ended March 31, 2022**	**Unused net proceeds as at March 31, 2022**	**Expected timeline for fully utilizing the remaining net proceeds**
	RMB million	*RMB million*	*RMB million*	*(Note)*
Content investment	254	(110)	144	≤ 2 years
Further expansion of customer base	115	(13)	102	≤ 2 years
Sales and marketing activities	30	(7)	23	≤ 2 years
General corporate purpose	30	(10)	20	≤ 2 years
Total	**429**	**(140)**	**289**	**≤ 2 years**

Note: The expected timeline for utilizing the remaining net proceeds is based on the best estimation of the future market conditions made by the Group. It remains subject to change based on market conditions.

DIRECTORS' REPORT

ISSUANCE OF SHARES

Save for the issuance and allotment of shares of the Company pursuant to the 2012 Share Option Scheme and the Share Award Scheme, the Company did not issue any shares during the financial year ended March 31, 2022.

For details of movements in the share capital of the Company during the financial year ended March 31, 2022, please refer to Note 24 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Save for the 2012 Share Option Scheme, the 2021 Share Option Scheme and the Share Award Scheme as disclosed in the section headed "Share Incentive Schemes" of this report on pages 23 to 36, the Company has not entered into any equity-linked agreement for the financial year ended March 31, 2022.

PURCHASE, SALE OR REDEMPTION OF SHARES

Except that the trustee of the Share Award Scheme purchased a total of 11,000,000 shares of the Company from the market to satisfy the awarded shares granted to connected employees of the Company upon vesting pursuant to the terms and rules of the Share Award Scheme, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended March 31, 2022.

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 70 to 92.

DONATIONS

Donations made by the Group during the financial year ended March 31, 2022 was nil (financial year ended March 31, 2021: nil).

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, 2022 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 1, 2022

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 financial year ended March 31, 2022, 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") in force during the year, except for the deviation from code provision A.2.1 (which has been re-numbered as C.2.1 since January 1, 2022) of the CG Code (the "Code Provision A.2.1") for the reasons below.

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Fan Luyuan, appointed as the chief executive officer of the Company on August 2, 2017, has also acted as chairman of the Board since October 13, 2017. The Board considers that vesting the roles of both chairman and chief executive officer in the same person will facilitate the development and execution of the Group's business strategies, which will help the Company overcome market challenges and create more value for the Shareholders. The Board believes that the balance of power and authority under such arrangement would not be impaired and would continue to be adequately ensured by the current Board which comprises experienced and high caliber individuals and a sufficient number of independent non-executive directors.

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, 2022 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
Mr. Meng Jun

Non-Executive Directors

Mr. Xu Hong *(Resigned on October 18, 2021)*
Mr. Liu Zheng *(Appointed on October 18, 2021)*

Independent Non-Executive Directors

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

CORPORATE GOVERNANCE REPORT

THE BOARD *(Continued)*

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. As at March 31, 2022, the Board comprised six male members and one female member. The Board considers that the current Board is diverse in terms of gender and consists of members with an appropriate balance and level of knowledge, skills, 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. The Nomination Committee reviews the Board Diversity Policy on a regular basis and discusses any revisions that might be required, and recommends to the Board for consideration and approval.

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, 2022, 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.

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.

CORPORATE GOVERNANCE REPORT

THE BOARD *(Continued)*

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, 2022, five 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:

Directors	Number of meetings attended/eligible to attend: Board Meetings	Number of meetings attended/eligible to attend: General Meetings
Executive Directors		
Mr. Fan Luyuan *(Chairman & Chief Executive Officer)*	5/5	2/2
Mr. Li Jie	5/5	2/2
Mr. Meng Jun	5/5	2/2
Non-Executive Directors		
Mr. Xu Hong[1] *(Resigned on October 18, 2021)*	2/2	1/1
Mr. Liu Zheng[2] *(Appointed on October 18, 2021)*	3/3	1/1
Independent Non-Executive Directors		
Ms. Song Lixin	5/5	2/2
Mr. Tong Xiaomeng	5/5	2/2
Mr. Johnny Chen	5/5	2/2

Notes:

1. *Mr. Xu Hong resigned as NED on October 18, 2021. Prior to his resignation, two Board meetings and one general meeting of the Company were held.*

2. *Mr. Liu Zheng was appointed as NED on October 18, 2021. Since his appointment, three Board meetings and one general meeting of the Company were held.*

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, 2022, the Board held four regular meetings and one ad hoc meeting. 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.

CORPORATE GOVERNANCE REPORT

THE BOARD *(Continued)*

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.

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 continually 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, 2022 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 Directors		
Mr. Xu Hong *(Resigned on October 18, 2021)*	✔	✔
Mr. Liu Zheng *(Appointed on October 18, 2021)*	✔	✔
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, 2022, 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 (which has been re-numbered as C.2.1 since January 1, 2022) 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 its 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 of a listed company. 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 (which has been re-numbered as B.2.2 since January 1, 2022) of the CG Code requires all directors, including those appointed for a specific term, to be subject to retirement by rotation at least once every three years. The Company has fully complied with such code provision.

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.

BOARD COMMITTEES

The Board has established various committees, including the remuneration committee (the "Remuneration Committee"), the audit 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.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(Continued)*

Remuneration Committee *(Continued)*

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 officer 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.

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) (which has been re-numbered as E.1.2(c)(ii) since January 1, 2022) of the CG Code in its terms of reference.

The Remuneration Committee shall meet at least once a year. One Remuneration Committee meeting was held in the financial year ended March 31, 2022 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)*	1/1
Mr. Fan Luyuan	1/1
Ms. Song Lixin	1/1

During the financial year ended March 31, 2022, 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 package of the newly appointed non-executive Director during the year.

Each current Director, except Mr. Liu Zheng 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.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(Continued)*

Remuneration Committee *(Continued)*

Details of the Directors' remuneration are set out in Note 37 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 14.

The Company's 2012 Share Option Scheme, the adoption of which was approved by the Shareholders at the AGM held on June 11, 2012, was terminated upon the adoption of the Company's 2021 Share Option Scheme on September 6, 2021. Details of the 2021 Share Option Scheme are set out in the Directors' Report on pages 23 to 28 and the outstanding share options granted under the 2012 Share Option Scheme as at March 31, 2022 are set out in the Directors' Report on pages 28 to 31 and Note 25 to the consolidated financial statements.

The Company's share award scheme was adopted by the Board on December 30, 2016 and amended on March 29, 2019 and January 17, 2020, respectively. Details of the share award scheme of the Company are set out in the Directors' Report on pages 31 to 36 and Note 25 to the consolidated financial statements.

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 investigation 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 has adopted the model described in code provision C.3.3 (which has been re-numbered as D.3.3 since January 1, 2022) of the CG Code in its terms of reference.

The Audit Committee shall meet at least twice a year. Two Audit Committee meetings were held during the financial year ended March 31, 2022 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, 2022, 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, 2021 (the "2020/21 Final Audit") and the interim results review for the six months ended September 30, 2021 (the "2021/22 Interim Review");

(ii) reviewed the external auditor's report of findings, independent review report and audit completion report in relation to the 2020/21 Final Audit and the 2021/22 Interim Review;

(iii) reviewed and recommended for the Board's approval the Company's consolidated financial statements for the year ended March 31, 2021 and for the six months ended September 30, 2021 together with the relevant management representation letters;

(iv) reviewed the effectiveness of the internal control and risk management systems as well as the internal audit function; 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. The Nomination Committee has adopted the model described in code provision A.5.2 (which has been re-numbered as B.3.1 since January 1, 2022) of the CG Code in its terms of reference.

The Nomination Committee shall meet at least once a year. One Nomination Committee meeting was held during the financial year ended March 31, 2022 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)*	1/1
Mr. Tong Xiaomeng	1/1
Mr. Johnny Chen	1/1

For the financial year ended March 31, 2022, 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(s) 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(s) 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. Liu Zheng as a non-executive Director.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(Continued)*

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, among others:

(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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted its own code for securities transactions by the Directors and certain officers and employees of the Company or its subsidiaries who are considered to be likely in possession of unpublished inside information in relation to the Company or its securities, on terms not less exacting than those in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard as set out in the Model Code and the Company's code for securities transactions during the financial year ended March 31, 2022.

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, 2022, 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 127 to 139.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(Continued)*

Financial Reporting *(Continued)*

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.

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, which has a key role in achieving business objectives and managing significant risks. The management 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.

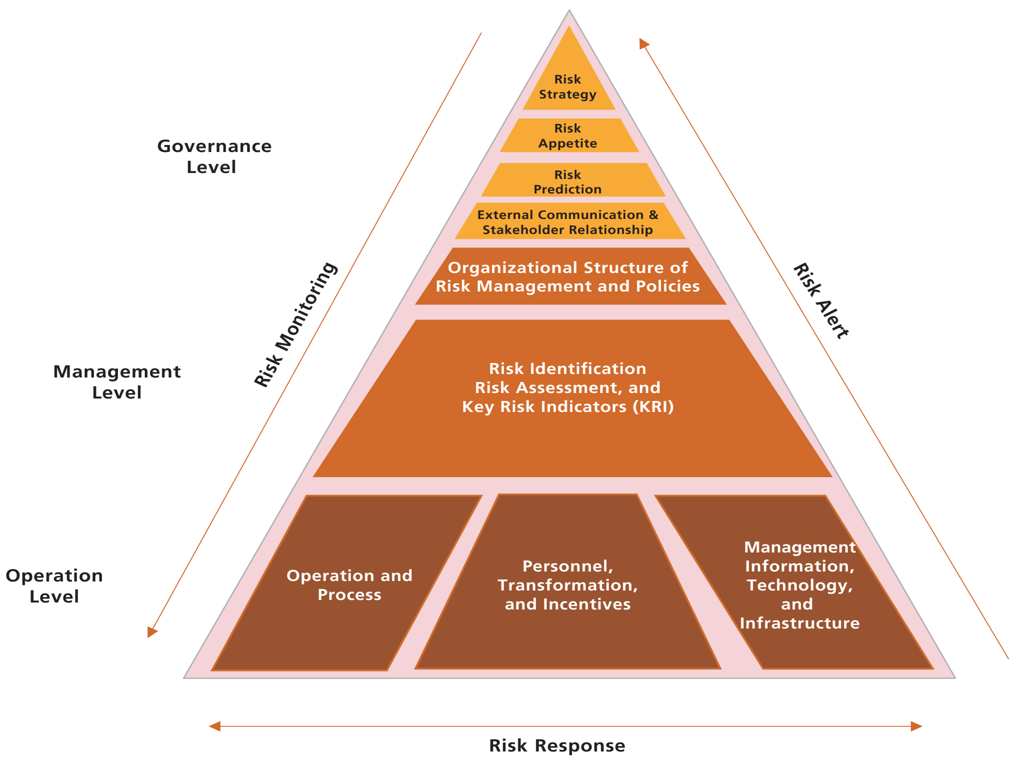
CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(Continued)*

Risk Management and Internal Control *(Continued)*

Objectives of Risk Management and Internal Control *(Continued)*

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 supervision 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

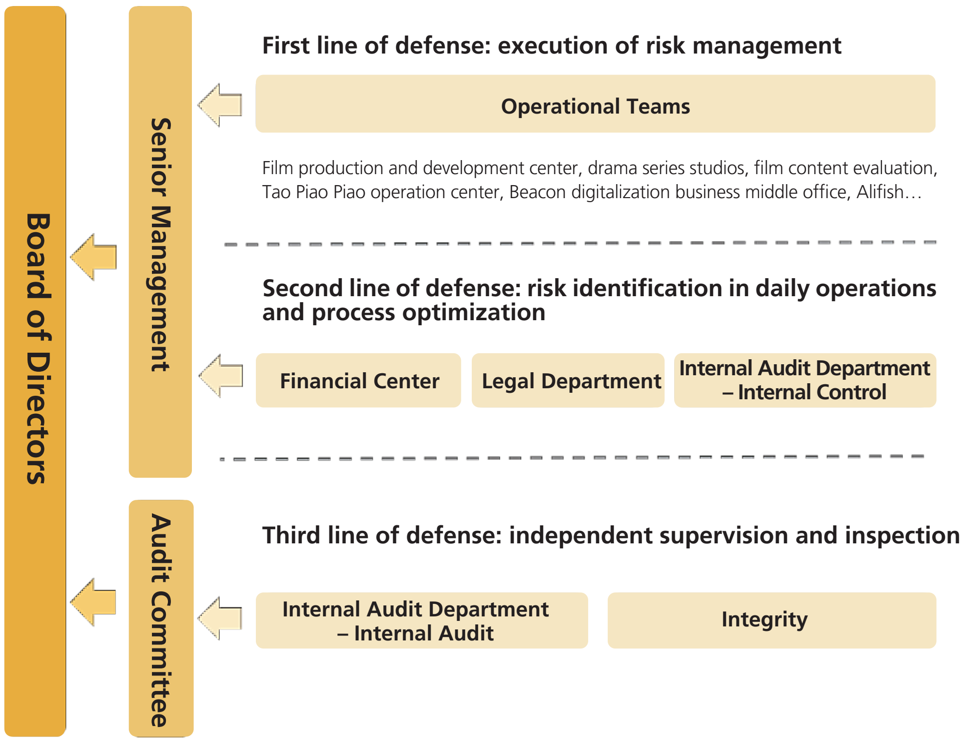
ACCOUNTABILITY AND AUDIT *(Continued)*

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, of 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. 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 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)
The risk management functions, as the second line of defense, are responsible for overall coordination of risk management efforts within the Company, including 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 and Integrity Team
The independent supervision functions, as the third line of defense, are comprised of Internal Audit Department – Internal Audit Team and Integrity 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. The Integrity Team is responsible for conducting independent inspections on compliance and anti-fraud, and assessing the compliance of all employees of the Group with national laws and the Company's internal compliance management system in their commercial cooperation with external parties and performance of internal duties.

The Internal Audit Department is responsible for submitting regular audit plans and related reports on risk management and internal control 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 control.

Each team in the three lines of defense is staffed with experienced professionals. 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 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 financial year ended March 31, 2022, 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 financial year ended March 31, 2022, 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.

Management and Disclosure of Material Risks

During the financial year ended March 31, 2022, the Company further sorted out, screened and reprioritized the risks that its existing businesses and new businesses faced, and established targeted response strategies for various internal and external risks.

- Comprehensively sort out internal risks and gradually form a risk control map:

  Centered around each of the business segments, the Company comprehensively sorts out the risk control map for its core business areas based on business nature, decision-making mechanism, financial information and chains, etc., thereby facilitating the continuous optimization of multiple mechanisms and processes such as evaluation and decision-making of the content business; in addition, a number of special governance actions have been carried out for key businesses or high-risk areas. For example, in the special actions for film promotion, distribution and schedule, the Company identifies problems through special inspections and seeks solutions to improve the mechanism, as well as enables advance warning and intervention through systematic deployment and control, thereby helping the business to improve the quality of film schedule before, during, and after the event. The above-mentioned chain risks, problems identification, residual risks after rectification, etc. have been continuously updated to the risk control map, and the Company's digitalization level in risk control has been continuously promoted through ongoing optimization and iteration.

  On this basis, in order to adapt to organizational changes and meet the management needs of an agile organization, the Company has completed phased optimization of the process mechanism and improved process efficiency while ensuring compliance, so as to seek a balance between risks and flexibility.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(Continued)*

Risk Management and Internal Control *(Continued)*

Management and Disclosure of Material Risks *(Continued)*

- Flexibly address external risks, and summarize and list material risks as follows:

Major External Risks	Description of Risks	Risk Responses
Emergency risks (market risks)	Although the Chinese film industry has shown signs of recovery since 2021, cinema attendance rates remain depressed due to the impact arising from the lingering pandemic. Relevant policies, such as temporary closure of cinemas in medium-risk and high-risk areas and maximum attendance rate of 75% for cinemas in low-risk areas, have had an impact on the broader market.	**Collaborate with industry partners to support recovery of the film market** 1) The Company launches and promotes the use of the "cloud ticketing" system in cinemas, in order to reduce costs and improve efficiency; 2) The Company introduces the policy of cinema system service fees reduction or waiver. **Expand sources of income and reduce expenditure while focusing on capital risk** 1) The Company actively promotes independent settlement right or co-managed account mechanism, with a view to reducing the risk of payment collection; 2) The Company deepens its consideration of commercial interests, such as exit mechanism and early warning mechanism, in order to reduce investment risks; 3) The Company establishes a credit management mechanism for external partners, including black, white and gray lists, to reduce the risks of cooperation and payment collection.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(Continued)*

Risk Management and Internal Control *(Continued)*

Management and Disclosure of Material Risks *(Continued)*

- Flexibly address external risks, and summarize and list material risks as follows: *(Continued)*

Major External Risks	Description of Risks	Risk Responses
Sociocultural risks	Inappropriate contents or badly behaved artists could easily trigger negative feelings and perceptions among consumers, thereby affecting the Company's brand image.	The Company 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.
		By continually optimizing content evaluation and decision-making mechanisms and adopting a "greenlight committee" policy, the Company conducts strict reviews on evaluation and decision-making to avoid cooperating with artists who have negative records.
Legal and compliance risks	User data leakage triggers personal privacy protection risks and regulatory compliance risks	The Company implements and timely updates user information protection strategies in strict accordance with the requirements of regulatory authorities, including but not limited to permission settings, data disclosure, transmission among platforms, user agreements, etc.
	Damage to consumer rights may give rise to risks of public discontent and lead to regulatory penalties for the Company	By continually improving user experience (refunds and ticket changes, campaigns, etc.), the Company ensures compliance with the requirements of Consumer Councils and the State Administration for Market Regulation;
	Contents and copywriting which involve obscenity, rumor and defamation, illegality, etc. will trigger content compliance risks	The Company abides by regulatory requirements and enables quick handling through ongoing reviews and controls on contents such as videos, platform copywriting and comments.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(Continued)*

Risk Management and Internal Control *(Continued)*

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 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 year, the Company conducted a comprehensive review on its internal control system and reported its findings to the Audit Committee and the Board, and no significant deficiencies were identified. The Board believes that during the financial year ended March 31, 2022, the existing risk management and internal control system of the Company was adequate and effective in protecting the interests of the Company and its Shareholders.

External Auditor's Remuneration

During the financial year ended March 31, 2022, 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

During the financial year ended March 31, 2022, Ms. Lew Aishan Nicole served as the Company's company secretary. Ms. Lew was not an employee of the Company and Mr. Fan Luyuan, the chairman and chief executive officer of the Company, was 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. With effect from June 30, 2022, Ms. Lew resigned as the company secretary of the Company in order to focus on the other business affairs of Alibaba Group, and the Company appointed Ms. Chun Ka Yan as the company secretary of the Company on the same day.

Ms. Lew confirmed having received relevant professional training of not less than 15 hours to update her skills and knowledge during the financial year ended March 31, 2022.

CORPORATE GOVERNANCE REPORT

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.

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 Board considers the Company's general meetings as a valuable channel for it 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.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS *(Continued)*

The Company held its AGM on August 31, 2021 (the "2021 AGM"). At the 2021 AGM, Mr. Fan Luyuan, the chairman of the Board and the chief executive officer of the Company, was present and 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.

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. During the financial year ended March 31, 2022, there were no changes in the constitutional documents of the Company.

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

This report has been prepared in accordance with the relevant provisions of the Environmental, Social and Governance Reporting 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"), following these principles:

(1) Principle of Materiality: The report discloses a materiality matrix which elaborates the materiality assessment process and the final results, together with a list of key stakeholders and corresponding communication measures. For details, please see the sections headed "Stakeholder Engagement" and "Materiality Assessment" of this report.

(2) Principle of Quantitative: The environmental data disclosed in the report are presented with reference standards, calculation methods and parameters.

(3) Principle of Balance: The report discloses positive and negative information objectively to ensure balanced content.

(4) Principle of Consistency: The information disclosed in the report covers Alibaba Pictures Group Limited (the "Company" or "Alibaba Pictures") and its subsidiaries (the "Group"), and is consistent with the scope of previous years.

STATEMENT OF THE BOARD ON ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") – RELATED EFFORTS

The board of directors of the Company (the "Board") adheres to sustainable development strategy. It regularly reviews and approves the Group's ESG strategies, objectives and material ESG risks, as well as supervises the implementation of ESG-related work. The Board has established an ESG execution team (the "ESG Execution Team") consisting of members of the Company's management, which is responsible for coordinating ESG-related work, providing support to the Board in its review of ESG issues and decisions, and reporting any material ESG risk (including risks relating to the Group's business) events and the implementation of objectives to the Board on a regular basis. The ESG Execution Team has also established an ESG working group (the "ESG Working Group") comprising personnel from relevant departments, which is responsible for carrying out specific ESG-related work.

The Group regularly ascertains the expectations and requirements of stakeholders, identifies and assesses important ESG issues and priorities, the results of which are reviewed by the Board and disclosed in the sections headed "Stakeholder Engagement" and "Materiality Assessment" in this report. With due consideration given to the Company's business development strategy and with reference to the best practices in the industry, the Group formulates specific work targets and plans in respect of important ESG issues, which are then reviewed by the Board, and the implementation of which is supervised and assessed by the Board through the ESG Execution Team. In 2021, the Board reviewed and monitored the ESG governance structure, business ethics and anti-corruption, data security and privacy protection, and approved the work plan for 2022. Going forward, the Group will continue to enhance its ESG management system, constantly improve ESG-related work, with a view to fully responding to the expectations of various stakeholders.

This report, disclosing in detail the progress of the ESG-related work of the Group from April 1, 2021 to March 31, 2022 (the "Reporting Period"), was reviewed and approved by the Board on June 1, 2022.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT

Stakeholders' expectations and feedback are important references for the Group's sustainable development. Therefore, the Group values the voices of various stakeholders, and seeks to maintain regular communication and contact with them through diversified channels.

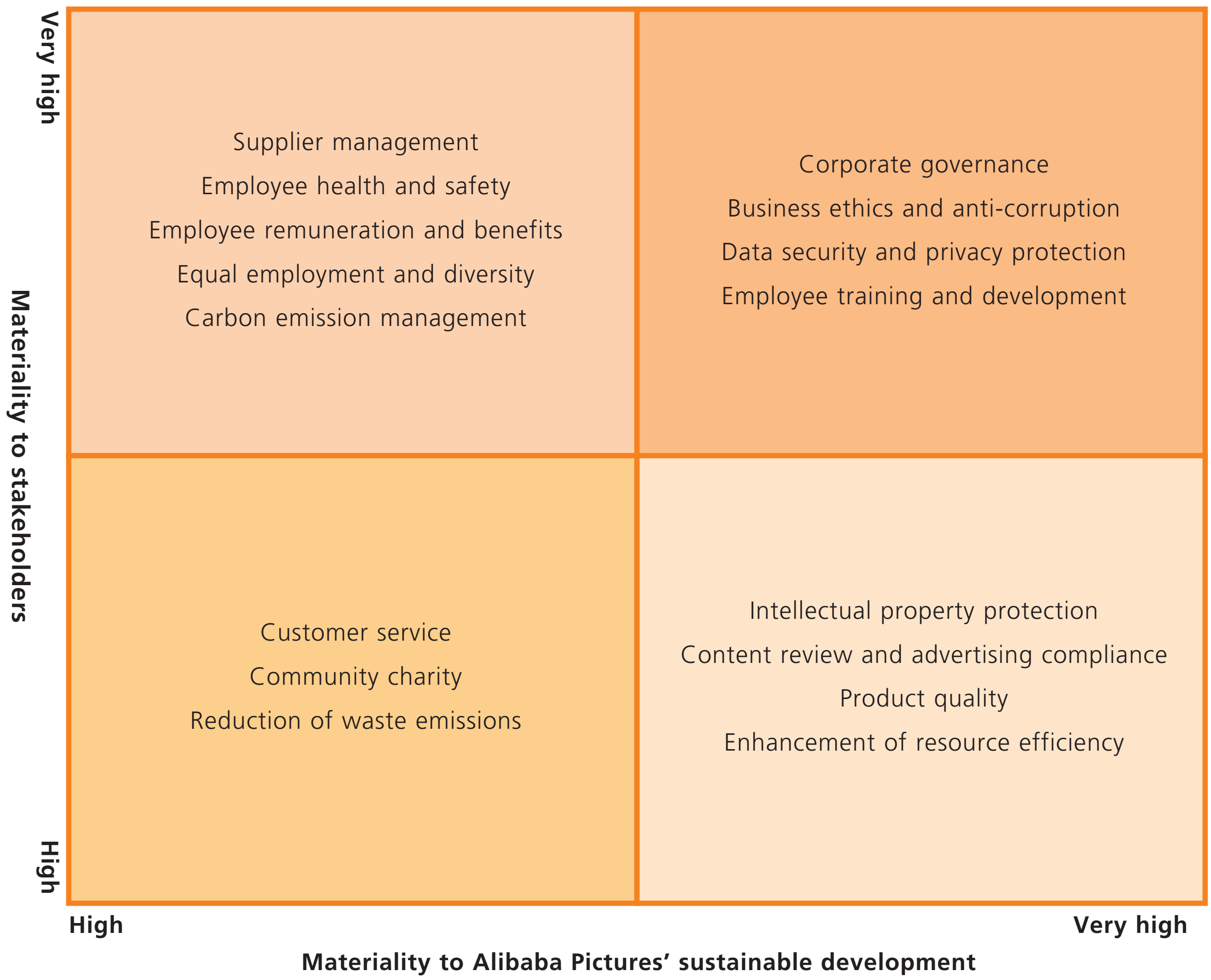
Stakeholders	Requirements and expectations	Communications and responses
Government/regulatory authorities	– Compliance with laws and regulations – Payment of tax – Business ethics	– Compliance management – Visitor reception – Supervision and inspection – Regular and timely reporting
Investors	– Financial results – Business development – Disclosure of information – 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	– Product marketing and promotion – Customer visit – Cooperation and communication
Employees	– Protection of employee interests – Career development – Ensuring occupational health and safety – Work and life balance	– Internal office system – Employee training – Luncheon – Feedback collection
Audiences and users	– Data security and privacy protection – User experience – Product quality	– User feedback collection – Social media interaction
Suppliers and business partners	– Open and fair purchases – Compliance with contracts – Win-win cooperation	– Public tenders – Cooperation agreements – Industry exchanges
Community	– Engagement in community development – Support for charity causes – Energy management and carbon emission	– Media events – Volunteer service – Community communication

MATERIALITY ASSESSMENT

The Group identifies relevant important ESG issues based on the results of communication with stakeholders received in the ordinary course of business and the nature of the industry. Based on the ESG issues so identified, the Group assesses and ranks the materiality of these issues every year in light of the national policy environment, capital market concerns and the Company's business development strategy, and with reference to the best practices of its domestic and foreign counterparts, as well as in consultation with third-party experts, and finally reaches a conclusion on the materiality assessment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT *(Continued)*



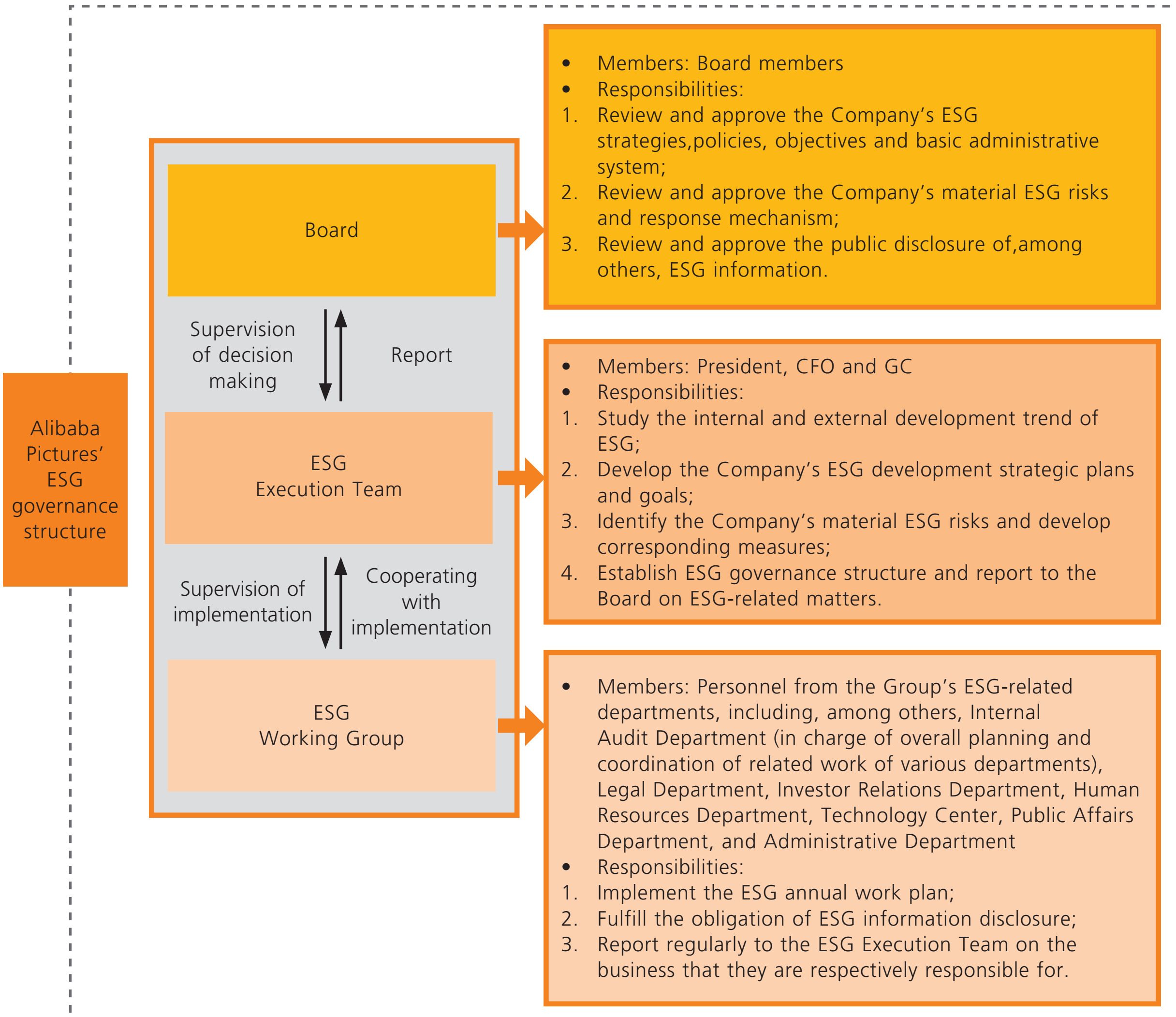
RESPONSIBLE GOVERNANCE

Sound governance structure and internal control system are regarded as the cornerstones and crucial guarantee for the Group's healthy development. The Group has established an ESG management system to standardize ESG management mechanism and reporting process, enhance the engagement of the Board, and strengthen our own compliance efforts, so as to prevent and control relevant risks and improve continually the level of corporate governance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG GOVERNANCE

In 2021, the Group specified the ESG governance system, and established a three-tier governance structure consisting of the Board, the ESG Execution Team and the ESG Working Group. The Board, as the chief in charge of ESG-related matters, is responsible for reviewing the Company's ESG strategies, policies, objectives and material ESG risks, and regularly monitoring and assessing the achievements against the ESG objectives. The ESG Execution Team, consisting of the chief operating officer, chief financial officer ("CFO") and general counsel ("GC"), is responsible for coordinating and guiding the implementation of ESG-related work and regularly updating the Board on the implementation and progress of the ESG-related work against the related objectives. The ESG Working Group, comprising personnel from the Group's ESG-related departments, including Internal Audit Department, Human Resources Department, Technology Center, Public Affairs Department, Legal Department, Administrative Department, and Investor Relations Department, is tasked with implementing and carrying out specific ESG work and reporting to the ESG Execution Team on a regular basis.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group will leverage the ESG governance structure to strengthen the foundation for ESG-related work, improve policies and systems, specify ESG-related targets in the short and medium term, and develop the ESG-related work plan gradually, in a bid to make improvements in the fields of business ethics and anti-corruption, human capital development, information security and privacy protection and other important issues. During the Reporting Period, the Group, by virtue of its ESG governance efforts and performance, won the "Most Socially Responsible Listed Company" award at the "2022 Global Investment Trends Forum and the 6th Golden Hong Kong Stocks Awards Ceremony" held in Shenzhen.

Picture: "Most Socially Responsible Listed Company" award

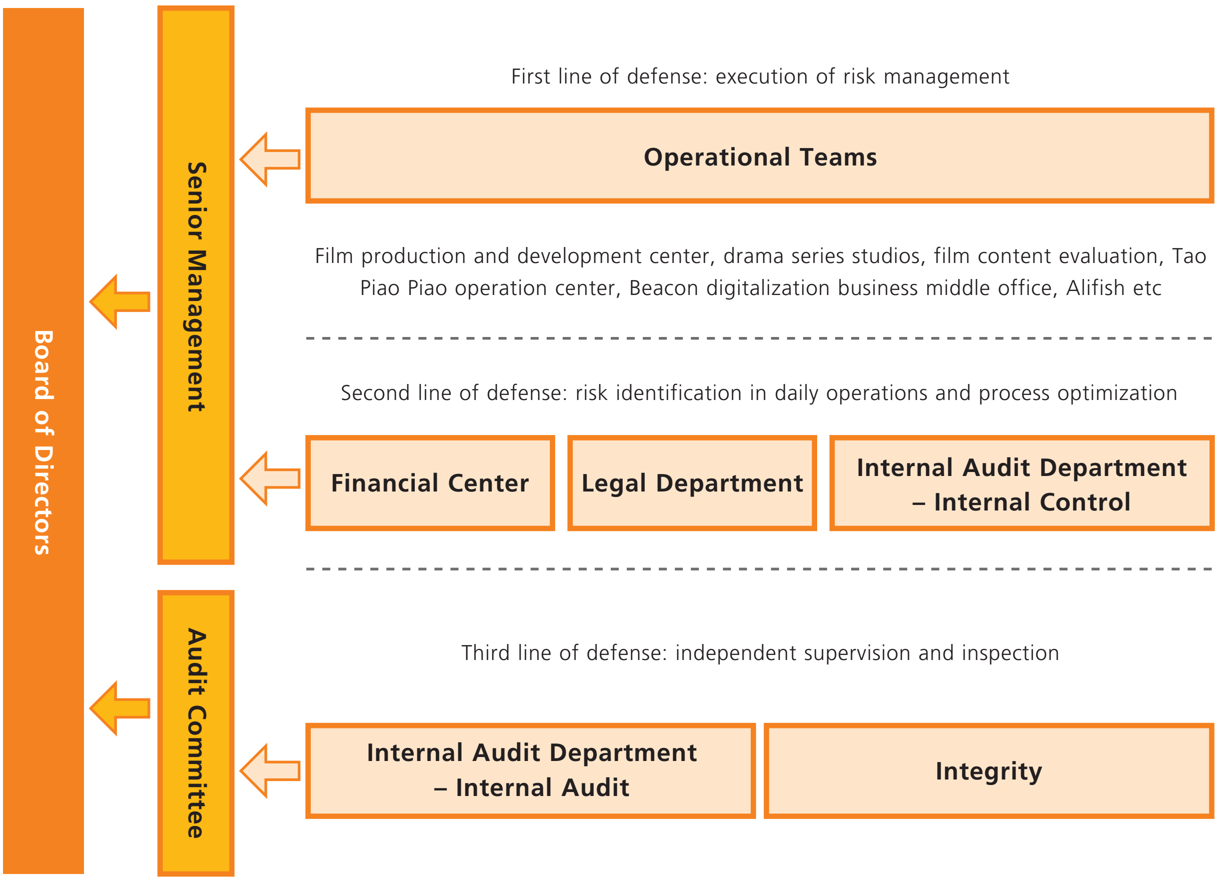
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

RISK CONTROL

The Group has established a sound risk control and management system. The Board is responsible for managing, assessing and ensuring the effectiveness of the system, which features "three lines of defense" to address internal and external risks effectively through mutual cooperation and supervision at various levels .

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. The Board has also established an Audit Committee to perform duties in relation to risk management and internal control, and to oversee the management in the design, implementation and monitoring of the risk management and internal control systems on its behalf.

At the first line of defense, operational teams of 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. At the second line of defense, the Financial Center, the Legal Department and the Internal Control Team under the Internal Audit Department are tasked with overall coordination of risk management efforts within the Company and leading various types of risk management work within their respective areas of expertise. At the third line of defense, the Internal Audit Team under the Internal Audit Department and the Integrity Department are charged with independent supervision and inspection of risks and reporting to the Audit Committee on a regular basis.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTEGRITY BUILDING

The Group values the fostering of a corporate culture of integrity and adopts a "Zero Tolerance" attitude towards corruption. The Group abides by the *Criminal Law of the People's Republic of China,* the *Anti-unfair Competition Law of the People's Republic of China,* the *Interim Provisions on Banning Commercial Bribery,* the *Amendment to the Criminal Law of the People's Republic of China,* the *Company Law of the People's Republic of China* and *Prevention of Bribery Ordinance* (Chapter 201 of the Laws of Hong Kong) and other relevant requirements, and all of the staff of the Group are required to act in accordance with the *Principles of Business Conduct of Alibaba Pictures Group*. During the Reporting Period, the Group had complied with relevant laws and regulations that have a significant impact on it relating to bribery, extortion, fraud and money laundering in all material respects.

For high-risk procurement department, the Group promulgated the *Integrity Declaration for Procurement Department* to impose strict regulation on the behavior between our procurement staff and suppliers. In a bid to ensure the fairness and impartiality of the bidding process, employees are prohibited from engaging in any unusual business relationships with suppliers, receiving gifts or bribes or accepting invitation to banquets. The employees are also forbidden to divulge procurement strategies, tender documents and other confidential information to suppliers, or offer suppliers technical or commercial contracts that contain favorable or exclusive terms.

In order to ensure the effective operation of the Group's integrity system, a whistle-blowing mailbox is made publicly available on the Company's official website, which serves as a channel for reporting any violations of laws and regulations. Employees and external business partners are encouraged to report any suspected fraud, malpractice and corruption that come to their attention. The identities of whistle-blowers are kept in the strictest confidence to ensure that they are not subject to any retaliation. The Group has established a designated Integrity Team to conduct special investigation upon receipt of reports of any suspected violations which, if verified, will be subject to appropriate disciplinary action. Any violation of relevant laws or regulations identified will be reported to relevant departments and authorities.

The Group actively carries out online and offline awareness training on anti-corruption and integrity compliance to enhance the integrity compliance awareness of employees as a whole. During the Reporting Period, the Group carried out 8 awareness trainings on anti-corruption and integrity compliance, including, among others, anti-corruption and integrity compliance induction training for new employees, integrity training for marketing, promotion and distribution and other departments, as well as trainings on measures to prevent and identify malpractice for the Directors and management of the Company. Meanwhile, the Group organized examinations in respect of integrity certification in accordance with the *Principles of Business Conduct of Alibaba Pictures Group*, the coverage rate of employees examined was 100%. During the Reporting Period, neither the Group nor any of its employees was involved in any corruption lawsuits.

EMPLOYEE MANAGEMENT

The Group always believes that attracting and nurturing talents is a cornerstone for the sustainable development of the Company. By continuously improving our talent management system, the Group creates a fair, impartial, equal and diverse working environment for our employees. The Group respects the rights and labor of its employees, values their growth and career development, and provides comprehensive remuneration and benefits package and training programs to empower them to realize their personal values.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

EQUAL EMPLOYMENT

The Group abides by the *Labor Law of the People's Republic of China,* the *Labor Contract Law of the People's Republic of China,* the *Implementation Regulations for the Labor Contract Law of the People's Republic of China,* the *Social Insurance Law of the People's Republic of China* and other laws and regulations. The Group has formulated internal policies and guidelines such as the *Employee Recruitment Procedures,* the *Employee Management Policy,* the *Employee Rights and Interests Statement,* the *Principles of Business Conduct* and other rules and regulations, pursuant to which, the Group adheres to the principles of fairness and equality throughout the process of recruitment, employment, training and promotion, resolutely eliminating all forms of discrimination on the grounds of gender, age, sexuality, family status, health or religious belief and other personal attributes and ensuring reasonable working hours and employee diversity. The Group prohibits any form of child and forced labor, any violation identified will be reported to the relevant authorities. The Group does not permit the employment of individuals aged below 18 years, and all applicants are required to provide identity documents for inquiry and verification. During the Reporting Period, no child or forced labor was identified in the Group.

The Group formulates employment plans every year based on its business development needs. It builds up a pool of talents through campus recruitment and social recruitment. It also actively organizes campus publicity activities, encouraging graduates who are interested in film and television as well as content production to attend the recruitment interview. The Group will enter into written employment contracts with candidates who pass the interview in accordance with applicable laws to protect their legal rights and interests.

The Group creates a simple and positive working environment for its employees, encouraging friendly communication and cooperation among colleagues. It protests against all forms of bullying in the workplace, respect employees' feelings and personal privacy, and prohibit sexual harassment. The Group has designed a mechanism to facilitate communication among employees at different levels. Employees are encouraged to report potential workplace discriminations to their seniors or the Human Resources Department. Any employees, who incur material loss to the Company by committing material breach of the *Employee Management Policy* in violation of laws, regulations or public ethics, or by committing offences that endanger the safety of other employees, customers or business partners, will be subject to dismissal according to applicable rules and, in serious cases, will be reported to the relevant authorities.

Table: Employee composition of Alibaba Pictures as at March 31, 2022

Employee categorization		**Number of employees (person(s))**
Total number of employees		1,364
Number of employees by employment type	Full-time employee	1,334
	Part-time employee[1]	30
Number of regular employees by gender	Male	695
	Female	639
Number of regular employees by rank	Senior management	9
	Middle management	47
	General staff	1,278
Number of regular employees by age group	29 and below	494
	30-50	838
	51 and above	2
Number of regular employees by geographical region	Mainland China	1,331
	Hong Kong, Macau and Taiwan, China	1
	Overseas	2

[1] Including interns and consultants

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Table: Employee turnover of Alibaba Pictures during the Reporting Period

Employee categorization		**Number of employee turnover (person(s))**	**Rate of employee turnover**
Regular employee turnover by gender	Male	147	21%
	Female	177	28%
Regular employee turnover by rank	Senior management	2	22%
	Middle management	23	49%
	General staff	299	23%
Regular employee turnover by age group	29 and below	131	26%
	30-50	191	23%
	51 and above	2	100%
Regular employee turnover by geographical region	Mainland China	320	24%
	Hong Kong, Macau and Taiwan, China	0	0%
	Overseas	4	100%[2]

During the Reporting Period, the Group had complied with relevant laws and regulations that have a significant impact on it relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare as well as prevention of child and forced labor in all material respects.

TRAINING AND DEVELOPMENT

The Group operates a multi-level and multi-category training mechanism for its employees. It has also formulated the *Employee Training Management Policy*, and designed scientific and reasonable training programs based on the employees' self-development needs and the Company's business operation needs as a whole.

The Group provides a variety of professional trainings for all employees in relation to, among others, business systems, improvement of skills, data security, integrity compliance, as well as its corporate values. The Group regularly invites representatives from regulatory authorities, industry experts and its internal management team to share their experiences. Special luncheon sharing activities are organized for employees to discuss topics of interest, with a view to bringing employees closer and create a lively and relaxing working atmosphere.

- All new employees are provided with comprehensive induction trainings, through which the Group introduces its business operations and enhances their understanding of its corporate values and culture. The Group has launched a management trainee programme, providing employees with opportunities to try new business incubation through a rotation mechanism. The Group also provides one-on-one mentorship by senior executives to facilitate the rapid growth in the employees, with an aim to turning them into managerial talents in the film and television business and business experts who can contribute to the development of the industry. In addition, we offer a "Night School" program featuring different subjects to educate new employees.

[2] The overseas employee turnover rate of 100% is mainly due to the small base of employees and business adjustment

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- For managers, the Group has organized the manager leadership programme - "Warrior Camp" (戰將營), and designed a systematic training programme, which is conducted on a monthly basis, covering contents such as performance improvement, empowerment and know-how for management. In addition, with a theme of "Improve, Surpass and Build a Better Team", the human resources team of the film technology business platform has also launched a training program - "Honghu Manager Training Camp" (鴻鵠管理者訓練營) for the management of the film technology business platform, providing elementary courses and specialized trainings. Through online and offline trainings, attendees can improve their leadership, human resources management competency and business skills, and broaden their industry vision. This gives them the benefit of high-quality case experience and mentorship guidance to solve management difficulties, and strengthen their connections with other partners and complement one another.

Pictures: "Night School" Program for Management Trainee

- The Group offers diversified training programs for employees of different business segments.

KA&PM (key account and project management) employees	Trainings are offered on finance, legal affairs, content products and film content.
Employees of content segment	"Mcdong and Huahua Alumni" (麥動花花同學會) is held to invite internal project colleagues and external experts to share successful project experiences.
Employees of commercial business segment	"Seagull Training Camp"（海鷗特訓營）was launched, the content of which covers, among others, business negotiation, emotional intelligence training and mental improvement.

Picture: the "Seagull Training Camp"

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Picture: the "Mcdong and Huahua Alumni"

During the Reporting Period, the Group has launched a new series of workplace training courses called "Fengque Class" (豐雀課堂) and organized a cultural award ceremony named "Influence Cup" (影響力杯).

Initiated by the human resources team of film technology platform and with the theme of "Explore, Break Through and Make Yourself Better", "Fengque Class" encourages the active participation of employees who are eager to learn. Its lecturers are recruited from internal staff, who are encouraged to offer themselves or recommend others as lecturers. To incentivize the lecturers, they will be subject to TTT certification for professional lecturers and be financed to participate in team building activities. Fengque Class provides participants with training on three areas: general skills, "slash" skills and business know-how. At the end of each class, three participants will be randomly selected and presented with free Tao Piao Piao movie vouchers. In addition, participants who attend the class for three times in a row will have a chance to get limited peripheral products or gift packages.

The cultural award ceremony titled "Influence Cup" focuses on the core strategy of "content + technology" and encourages employees to submit film-related cultural stories. The awards are based on execution, professionalism, innovation and customer service skills with reference to the number of likes for stories and the comprehensive evaluation by the committee members. Outstanding stories will be presented with the cultural influence award and cultural charm award, as well as DingTalk medal, to encourage employees to pay attention to the development and changes of the film industry proactively, and stay true to the original intention of creating values for customers.

Pictures: Cultural Award Ceremony titled "Influence Cup"

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In addition, the Group offered live trainings online through Alibaba learning platform, DingTalk and other tools, in order to encourage employees to continue learning during the COVID-19 pandemic, allowing them to share professional knowledge, industry insight and various interesting topics, and empowering them to achieve self-improvement.

In respect of employee promotion, we have formulated a clear *Employee Promotion Management Policy*. Employee promotion is led by the Human Resources Department, and is subject to evaluation by relevant management personnel of the Company in strict compliance with objective and impartial principles and with reference to an array of factors including, among others, employees' work performance, competence and potential, compliance with corporate culture and values, length of service and disciplinary violations. There are effective complaint and communication channels in place for employees to complain to the Human Resources Department if they have issues with the promotion decisions.

Table: Employee training of Alibaba Pictures during the Reporting Period

Employee categorization		**Percentage of employees trained**	**Average training hours per employee (hour(s))**
By gender	Male	100%	13.26
	Female	100%	17.06
By rank	Senior management	100%	17.13
	Middle management	100%	17.50
	General staff	100%	14.98

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

HEALTH AND SAFETY

The Group values the health and safety of our employees. In strict compliance with the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases,* the *Production Safety Law of the People's Republic of China,* the *Fire Protection Law of the People's Republic of China, Regulation on Work-Related Injury Insurance, Employees' Compensation Ordinance* (Chapter 282 of the Laws of Hong Kong) and other applicable laws and regulations, as well as in accordance with the rules specified in its *Principles of Business Conduct*, the Group provides a safe workplace for its employees, which protects them from occupational hazards. The number and rate of work-related fatality and the number of working days lost due to work-related injuries recorded by the Group were nil in the past three years.

The Group strives to maintain order in the workplace where employees are strictly prohibited from using any degree of violence, possessing or using prohibited drugs, controlled weapons and any other objects that may affect the Company's operation. The Group has also set up designated smoking areas. Drinking or intoxication in the workplace is also prohibited.

With respect to possible emergencies concerning the safety of employees in the workplace, including, among others, pandemic, natural disasters and accidental injury, the Group takes out insurance policies covering work-related injuries and basic medical expenses for employees, and provides them with free physical examination. The Group also provides commercial health insurance to its employees, and offers top-up commercial insurance options to employees and their families at favorable prices at their own expenses.

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. The Group is committed to improving the accountability system for safe production, by having in place fire-fighting equipment and fire escapes on film sets and entering into relevant fire security agreements with the shooting sites.

As the COVID-19 pandemic continues to spread, the Group proactively and timely takes precautionary measures to safeguard the health of its employees during this special period, in strict compliance with the requirements imposed by the country and the cities where each office is located for pandemic prevention and control. The Group strictly follows and implements relevant requirements in relation to, among others, wearing masks in the office, disinfecting the space at regular intervals every day, and checking employees' body temperature and health code before they are allowed to enter the office space. The Group provides free personal protective equipment to employees, and adopts innovative methods such as flexible working, park management and working by rotation, in a bid to minimize risks of the pandemic. During the Reporting Period, the Group did not receive any report of its employees being confirmed to be infected with COVID-19.

During the Reporting Period, the Group had complied with relevant laws and regulations that have a significant impact on it relating to providing a safe working environment and protecting employees from occupational hazards in all material respects.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REMUNERATION AND BENEFITS

The Group has a reasonable remuneration system in place to provide employees with competitive remuneration and benefits, including basic salary, 13-month salary, performance bonus and share-based compensation. Salary adjustment will be conducted every year based on employees' performance, and certain share-based incentives will be provided to employees with outstanding performance to motivate them to share the development achievements of the Company by creating more values.

The Group also provides employees with a comprehensive range of benefits in addition to salary incentives:

Health security	In addition to providing employees with statutory five social insurances and one housing fund, annual physical examination and commercial insurance, the Group extends the benefits to cover employees' children and parents. "Alibaba Pictures Carnation Parental Care Program" (阿里影業康乃馨父母關愛計劃) provides free physical examination for employees' and their spouses' parents every year.
Living security	The Group provides employees with paid annual leave, 7-day companion leave and iHome housing loan. Employees who have been employed by the Group for 10 years, are entitled to paid annual leave of 20 working days. Meanwhile, the Group offers parental leave for employees, and those employees with children under the age of 3 are entitled to annual leave of 10 working days.
Diversified office choice	The Group adopts a humanized office arrangement, allowing employees to apply for flexible working for up to one day per week.
Film-specific benefits	The Group gives out movie cards to its employees on their birthdays, and regularly organizes activities for employees to enjoy complimentary viewing of movies.
Celebration activities	The Group encourages employees to participate in a variety of cultural and sports activities, and creates a cultural space for individuals and organization to coexist in harmony. In addition to RMB1,500 per person each financial year for standard team outing, gifts for traditional holidays and cultural gifts for service of long years, it organizes the 510 AliDay by holding various regular activities, including tug-of-war, football, badminton and other sports events, music festivals and other cultural and artistic activities, through which work-life balance is promoted and a platform for good communication is built, allowing employees to not only enjoy relaxation both in mind and body, but also bond with their family members, build friendships and unleash their youthful passions.

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Cultural programmes

Cathedratic Live Hits (絕對有戲打榜直播間) and Cultural & Entertainment Intelligence (文娛智信情報局) are two cultural programmes designed to update the Group's employees on the latest news relating to important business or major events within the organization. The Group also provides channels for intimate conversations with the CEO through Digital Entertainment Roundtable (大娛圓桌派), creating an authentic and engaging environment for our employees.

Picture: Cathedratic Live Hits (絕對有戲打榜直播間)

Picture: Digital Entertainment Roundtable (大娛圓桌派)

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Extending 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; the Group 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. Those employees who have completed five years of service will be invited to attend Alibaba Group's "Fifth Anniversary of Service" ceremony where they are awarded a "Five-Year Service" ring. The Group also invites Alibaba Group Partners who have worked for Alibaba for more than ten years to share their experiences. Through a variety of interactive activities, it aims to maintain a harmonious relationship between employees and the enterprise.

Picture: The Group's "Three-Year Service" jade pendant

Pictures: The Group's "Five-Year Service" ring award ceremony – cultural and entertainment session

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

510 AliDay

Extending another tradition of Alibaba Group, the Group organizes the 510 AliDay, encouraging employees to experience and share the core spirit underlines the corporate value of Alibaba.

Sports Events

The Group organizes football matches, tug-of-war and other sports events on a regular basis, so as to enrich and light up the spiritual and cultural lives of employees and promote their friendship and unity.

Let's Music Festival

The Group organizes Let's Music Festival (Let's音樂節), which creates a youthful and energetic atmosphere to relieve employees from stress and promote their friendly exchanges.

The Group actively engages in the quarterly employee surveys organized by Alibaba Group to keep abreast of employee satisfaction level. It also continues to strengthen communication with employees to enhance their sense of belonging and identity.

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PRODUCT RESPONSIBILITY

The Group values product responsibility and is committed to enhancing service experience throughout the process of providing products and services. Using content creation as a medium, the Group strives to promote the construction and development of customers' spiritual civilization. By strengthening data security and customer privacy protection, the Group protects intellectual property rights and respect the creation of others. The Group continually listens to customers' voices, and seeks to realize corporate social value.

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, and health and safety is not applicable to the Group.

PROMOTE POSITIVE VALUES

By adhering to the spirit of ordinary people performing heroic deeds that promote strong sentiment and positive values, the Group is committed to producing high-quality films and TV dramas, and strengthening content review and advertisement compliance management, in order to promote positive values to the public.

Content Culture Dissemination

Part of the Group's business involves production, investment and distribution of films and drama series. In this regard, the Group follows the *Film Industry Promotion Law of the People's Republic of China,* the *Copyright Law of the People's Republic of China* and other relevant laws and regulations. It pays close attention to a series of guidelines set forth by regulatory authorities, and prudently selects projects and content themes for production. Entertainment content in the form of films or drama series is required to be reviewed and approved by relevant regulatory authorities before it is publicly released or submitted for film festivals and exhibition purposes.

The Group actively releases to the market positive, influential and premium films and TV dramas that promote positive values and demonstrate the spirit of the times and the power of China. The Group has participated in the production and distribution of a series of high-quality and highly-acclaimed films, including the "National Day Celebration" trilogy, which reflects the process of Chinese history; "*The Battle at Lake Changjin* (長津湖)" and its sequel "*The Battle at Lake Changjin II: Watergate Bridge* (長津湖之水門橋)", which promote the spirit of the war to resist U.S. aggression and aid Korea; and "*The Bravest* (烈火英雄)", "*Sister* (我的姐姐)", "*The Captain* (中國機長)", "*Chinese Doctors* (中國醫生)" and "*Impasse* (懸崖之上)", which pay tribute to the spirit of dedication. Each of these films tells the stories of ordinary people from all walks of life, and the values that these films convey are widely recognized by the audiences. Meanwhile, the Group released the film "*Embrace Again* (穿過寒冬擁抱你)", which is based on the life of ordinary citizens in Wuhan during the COVID-19 pandemic and is selected into the National Radio and Television Administration (NRTA) Network Audio-Visual Quality Project, and "*Reborn* (凡人英雄)", which is an internet movie adapted from the true story during the fight against the COVID-19 pandemic. These films depict the positive stories of ordinary people from all walks of life going all out to fight against the pandemic, using the power of films to warm and inspire people, and arouse emotional resonance and patriotism among the audience.

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During the Reporting Period, many films jointly produced and distributed by the Group emerged as box office champions during the Qingming Festival holiday, Labor Day, summer school holiday, National Day and Spring Festival, among which, "*The Battle at Lake Changjin* (長津湖)" has attained the highest gross box office in Chinese film history, boasting a box office of over RMB5.7 billion and a movie theater attendance of 120 million.

Film poster: "*My People, My Homeland* (我和我的家鄉)"

Film poster: "*My People, My Country* (我和我的祖國)"

Film poster: "*My Country, My Parents* (我和我的父輩)"

Film poster: "*The Battle at Lake Changjin* (長津湖)"

Film poster: "*The Battle at Lake Changjin II: Watergate Bridge* (長津湖之水門橋)"

Film poster: "*The Bravest* (烈火英雄)"

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Film poster: "*Sister*
(我的姐姐)"

Film poster: "*The Captain*
(中國機長)"

Film poster: "*Chinese Doctors*
(中國醫生)"

Film poster: "*Impasse*
(懸崖之上)"

Film poster: "*Embrace Again*
(穿過寒冬擁抱你)"

Film poster: "*Reborn*
(凡人英雄)"

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Moreover, the Group has several drama studios in the pipeline to cultivate the content production and development capabilities of professional teams. During the Reporting Period, the Group participated in the production of "*Hello Procurator* (你好，檢察官)", an industry-specific drama featuring the ethos of procurators, and the creation of "*Medal of the Republic* (功勳)", a major theme TV drama series organized by The National Radio and Television Administration and well received with high viewing rates.

TV drama poster: "*Hello Procurator* (你好，檢察官)"

TV drama poster: "*Medal of the Republic* (功勳)"

The derivative intellectual property ("IP") development business of the Group is committed to introducing both domestic and international quality IP copyrights, which are expected to meet the demands for domestic and international quality IP commodities continually and contribute to enhancement in both business value and brand presence for its IP partners. During the Reporting Period, "Alifish", an innovative IP trading platform of the Group, introduced more than 20 renowned oversea IPs for the Fourth China International Import Expo, which included, among others, Louvre (盧浮宮), Kakao Friends and Minions (小黃人), and served as a bridge for collaboration between the world's top IPs and China's consumer markets to explore an innovative fusion of oversea quality IPs and China's intangible cultural heritage, encouraging more and more young people to experience the exchange, collision and unique charm of Chinese and western cultures.

Besides, the Group's pop toy brand "KOITAKE" officially set up its first offline concept store at INtime Mall (West Lake), Hangzhou, providing an abundant variety of content IP derivatives of, among others, *The "Awakening Age* (覺醒年代)", "*Street Dance of China* (這!就是街舞)" and other cross-over pop toys, which reach a wider base of customers and provide them with diversified interactive experience.

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Case study: "KOITAKE" launched content IP of "*Country Love* (鄉村愛情)"

In the past two years, "KOITAKE" launched the mystery boxes of the "*Country Love* (鄉村愛情)" series, which was an effective fusion of IPs and pop toys that led a new trend in content IPs. "*Country Love* (鄉村愛情)" is a household name in the PRC, and its IP derivatives with personalized and innovative design are appealing to consumers. The first offering of its mystery box was sold out within six hours of pre-sale, and the second offering of its fashion style mystery box catered to the need of consumers, bringing much surprise and joy to them.

According to the head of "KOITAKE" business, "KOITAKE" has gained deep insight into the consumption preferences and taste of the young generation in different contexts, which makes it appealing to more young people and rejuvenates the IP industry. It also serves as a bridge for communication with consumers to promote new pop culture of content derivative IP.

Picture: Fashion style mystery box of the "*Country Love* (鄉村愛情)" series

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Maintain Cyber Environment

Part of the Group's business involves online platform management. In this regard, the Group has 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 other internal management systems, in strict compliance with requirements of relevant laws and regulations, and actively performs the main responsibilities of online information content service platform. Meanwhile, the Group focuses on online content management, adjusting and improving the account management system, the official account management system and the SOP of action management during sensitive periods. The Group also continues to improve the content compliance management and enhances its abilities to identify and review the content, in order to provide a clear and safe cyber environment for users.

Advertisement Compliance Management

Part of the Group's business also involves Internet ticketing, promotion and distribution. In this regard, the Group complies with relevant requirements under the *Advertising Law of the People's Republic of China,* the *Anti-unfair Competition Law of the People's Republic of China,* the *Pricing Law of the People's Republic of China,* the *E-Commerce Law of the People's Republic of China* and the *Product Quality Law of the People's Republic of China*, and the *Interim Provisions on Regulation of Sales Promotion* issued by the State Administration for Market Regulation. The Group adheres to the marketing approach that is responsible to customers, and proactively establishes a responsible marketing mechanism, including standards in relation to anti-false advertising, anti-monopoly and anti-unfair competition, in order to maintain strict control over the reliability and normativeness of marketing content. The Group has in place a designated review team to conduct review on relevant advertisements and rectify any issues identified on a timely basis, to ensure the appropriateness of the advertisement content, and minimize the possibility of non-compliant advertisement taking place from the very beginning, so as to provide customers with commercial information that is true, accurate, safe and valid. At the same time, we attach great importance to material compliance, and have formulated regulations to govern the usage of promotion materials, so as to ensure the standardization of their usage.

The Group's film and drama series production, investment and distribution business and technology business are free of product quality and safety issues. The Group does not expect any product recall due to quality or safety issues, as all IP derivatives, including mystery box, go through quality inspection procedures. There was no case of product recall due to safety issues during the Reporting Period.

DATA SECURITY AND PRIVACY PROTECTION

The Group adheres to the core purpose of "protecting data security", upholds the principle of"respecting customers' privacy", safeguards the bottom line of cyber security, and improves its information security management system. The Group complies with relevant laws and regulations, including the *Data Security Law of the People's Republic of China,* the *Personal Information Protection Law of the People's Republic of China* and the *Information Security Technology - Personal Information Security Specification*, and has amended and improved the *External Data Disclosure Rules*, the *General User Data Protection Standard*, and other relevant policy documents, for the purpose of fully protecting our customers' privacy and data security.

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Ensure Data Security

The Group's technology business involves third-party data analysis and digitalized operation management of cinemas. With the continuous expansion of the online platform businesses of the Group such as Tao Piao Piao, Beacon and Yunzhi, one of the top priorities is to ensure data security.

In 2021, the Group actively drove the development of data compliance organization system, and established the Data Compliance Leading Group. The Data Compliance Leading Group is led by the chief operating officer of the Group, and its members include heads of the Compliance Governance Center and relevant departments. The Data Compliance Leading Group takes charge of overall data security management, follows up on and studies national laws and regulations as well as regulatory requirements, promptly identifies, closely monitors and actively responds to risks in relation to data information, and increases the intensity and frequency of data compliance inspections to ensure data security. The Data Compliance Leading Group reports to the Board on a regular basis, while the Board is responsible for supervising matters on data compliance.

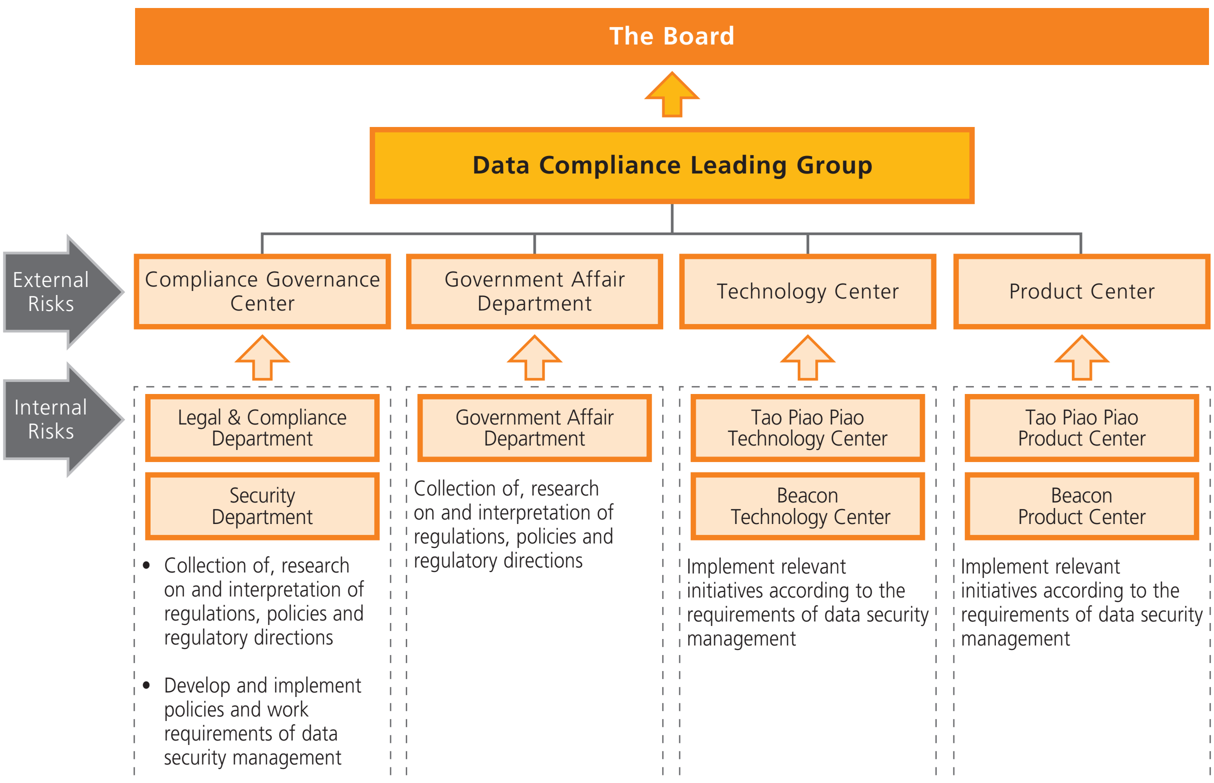

Chart: Structure of the Data Compliance Leading Group of Alibaba Pictures

The Group strictly follows the basic principles of data processing, such as lawfulness, clear purpose, minimum necessity, storage limitation, accountability and traceability in every part of a data life cycle, e.g., data generation and collection, transmission and cross-border transfer, storage and display, processing and use, making data available and disclosure, release and destruction. To maximize data security, the Group has put in place strict regulations on data access rights, and require all employees to process and use data in compliance with the requirements under the *Code of Business Conduct*. The Group also organizes special security training for key personnel on a regular basis, and carries out security awareness raising and promotion to all employees by providing the latest information through its internal system and posting relevant posters at office areas. During the Reporting Period, the Group did not record any information security and data breach incident.

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Respect Customers' Privacy

The Group's Tao Piao Piao is a leading online ticketing platform in the PRC, with capabilities of both online and offline promotion and distribution, and integrated marketing. Beacon is a digitalized promotion and distribution platform under the Group, while Beacon (Professional) is a third-party data analytics platform involving the access to and collection of live events ticketing information. The Group expressly informs customers on the privacy policies of Tao Piao Piao and Beacon (Professional) that the system will collect certain data in the normal course of providing services to them, to protect customers' right to know in respect of their personal information. As for customer information stored and recorded in the system, the Group provides access to edit and delete personal information, to ensure that customers have the right to choose and control the personal information to be kept in the system. In 2021, the Group passed the ISO27701 Privacy Information Management System Certification, verifying the effectiveness of the operation of our system.

Furthermore, the Group is connected with a prevention and control system, to ensure that the products we 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, the approval from data security staff is also needed. In the event that such information involves privacy issues, legal team and senior management team of the Group will also take part in the evaluation and approval process.

PROTECTION OF INTELLECTUAL PROPERTY RIGHTS AND COPYRIGHT

To protect the legitimate rights and interests of both the platform and the users, the Group continued to improve its intellectual property and copyright management system, encouraged its employees to carry out research and development and innovation activities, and stringently reviewed the content and product creation.

Protection of Intellectual Property Rights

The Group attaches great importance to the management of intellectual property rights. In addition to protecting its intellectual property interests, it also fully respects the intellectual property rights of others. The Group follows relevant laws and regulations, such as the *Patent Law of the People's Republic of China* and the *Trademark Law of the People's Republic of China*, and continuously optimizes the intellectual property management system by formulating internal management systems, such as the *Intellectual Property Management of International Cooperation Projects*, to facilitate compliant implementation of the application, authorization and management of intellectual property. We value the protection of trade secrets, trademarks, patents, copyrights, domain names, etc., apply for registration of intellectual property rights in a timely manner, and take necessary legal measures to deal with infringing products or contents, so as to prevent infringement and avoid infringement risks.

The Group continued to create an atmosphere of innovation through optimizing its intellectual property incentive mechanism. It continued to amend and update the patent incentive rules, and set up Innovative Proposal Awards, Patent Application Awards and Patent Authorization Awards, each with different forms of awards and varying amount of bonus, for the purpose of further encouraging and motivating research and development and innovation in intellectual property among our employees. In 2021, the Group further acquired 16 copyrights, 185 trademarks, 3 patents, and 3 domain names.

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Table: Intellectual property rights of Alibaba Pictures acquired during the Reporting Period

Types	Amount (piece)
Trademarks	185
Patents	3
Copyrights (software)	8
Copyrights (works)	8
Domain names	3

Protection of Copyright

The Group is engaged in derivative IP development and production business. In this regard, the Group complies with the requirements under the *Law of the People's Republic of China on Protection of the Rights and Interests of Consumers,* the *Product Quality Law of the People's Republic of China,* the *E-Commerce Law of the People's Republic of China* and the *Advertising Law of the People's Republic of China*, and adopt a prudent approach in selecting contents for derivatives development, reviewing the copyright of derivatives, managing IP compliance and obtaining licenses from IP copyright holders in legal ways.

The Group believes that it is important to protect the copyright of contents and products. It complies with the requirements of the *Copyright Law of the People's Republic of China* and other relevant regulations, formulates and improves relevant policy documents, such as the *Derivatives Business Management Process of Integrated Development Department*, to regulate the management of IP licensing agents and license promotion. In terms of content creation, the Group stringently reviews the chain of title of content creation to ensure that its productions are not exposed to the risk of copyright infringement.

Table: Relevant legal requirements for different categories of derivatives

Categories	Laws and regulations
Derivative models, toys, and mystery boxes	*E-Commerce Law of the People's Republic of China, 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, the Group did not commit any breach of laws and regulations on intellectual property rights, copyrights, trademarks, etc.

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CUSTOMER SERVICE

Upholding the value of "customers first", the Group has established a diversified service model, and built good communication channels with customers. The Group will continue to respond to customers' demands in a timely manner, improve the customer complaint mechanism, and continue to provide customers with quality, thoughtful and excellent services.

Tao Piao Piao

In order to improve customer satisfaction and problem resolution rate, the Group has formulated the *SOP Manual for Customer Feedback Handling* and other relevant systems to regulate Tao Piao Piao's process of handling customer feedback. The Group has put in place operation position for staff to experience from the perspective of consumers. Through such experience, the Group can identify the room for improvement in its products, technologies, processes and rules and improve them from consumers' perspective. The number of staff involved accounts for more than half of our service operation team. At the same time, with the help of its algorithm team, data mining and model building team, the Group collects, classifies, and conducts intonation analysis on audio customer feedback through technical means, so that the Group can analyze and gain insight into the problems accurately and in real time, to better solve actual issues of customers.

To improve customer experience further, the Group has launched projects such as "*listen personally* (親聽)", "*answer personally* (親接)" and "*red/rotten strawberry* (紅爛草莓)" to listen to the voice of customers and solve difficult issues. Meanwhile, the Group invites its product and technical teams to engage in the optimization of customer service processes, and encourage its employees to pay attention to customer service management through the design of a reward, punishment and motivation mechanism which functions as a promotion or warning for all the staff.

The total number of customer complaints received in relation to product quality or feedback amounted to 1,793 during the Reporting Period[3]. Each customer complaint is assigned to a designated person, who is responsible for handling, following up and reporting any feedback in a timely manner.

In addition, Tao Piao Piao attaches great importance to tackling ticket scalping. In the past five years, a total of 460,000 cases of ticket scalping were blocked, thereby creating a benign business environment and maintaining a fair and square market order.

Beacon

Beacon, a digital promotion and distribution platform of the Group, is committed to exploring industry patterns, focusing on digitalization of the whole promotion and distribution process, efficient placement, low cost and quantifiable target effect of customer value, and continuously improving the effectiveness of promotion and distribution, to form a promotion and distribution service scenario of the entire entertainment industry covering cinema films, performances, drama series and variety shows.

Up to date, Beacon has served over 750 films and drama series, with box office of films in partnership exceeding RMB105 billion. It has helped its customers save 20% of promotion and distribution budget, and accumulated successful cases of offering services for domestic and overseas blockbusters, including "*Dying To Survive* (我不是藥神)", "*Hello Mr. Billionaire* (西虹市首富)", "*Green Book* (綠皮書)" and "*Capernaum* (何以為家)".

3 Statistical calibers of customer complaints include statistics obtained by the Company from various government units (such as industry and commerce authorities, consumer councils, film administrations and internet supervision authorities) and the 12315, 12345 hotline authorities during the current financial year.

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Yunzhi	Yunzhi is Alibaba Pictures' open platform which offers digitalized operation and management services and provides a comprehensive, cloud-based smart solutions with new technology and new retail means for cinemas. During the Reporting Period, Yunzhi rolled out a new ticketing function featuring one-click access to alternate seating arrangement, which enabled 4,422 cinemas across the country to improve efficiency by 75%, while the auxiliary film release scheduling function helped the cinemas save time by 80%.
Cloud Production	Cloud Production is a business of the Group's technology products that is deeply integrated with the production of film and drama series content. As a digital product covering the entire production process and multiple production scenarios, Cloud Production is designed to advance further industrialization of the film and television industry. During the Reporting Period, Cloud Production enabled more than 700 crews of over 400 production houses to achieve meticulous management, which improved the script breakdown efficiency by a thousand times, reduced the financial accounting time and cost by 30%, and improved the online film viewing efficiency by 30%.

JOINT EFFORTS IN PROTECTING THE ECOLOGICAL ENVIRONMENT

As a responsible enterprise, Alibaba Pictures is persistent in fulfilling its corporate social responsibility. With a focus on supply chain integration, the Group upholds the concept of integrity and collaboration, understanding and communication, as well as improvement and optimization, to establish a fair and just supplier management system, and promote win-win cooperation with suppliers. The Group actively responds to national policies, commits itself to public welfare undertakings, and deems public welfare activities as part of its social responsibilities. The Group is grateful for what brings it to today's achievement, and will try its best to contribute to society in return. In order to uphold the concept of green development, continuously improve the management system of the Group and carry out various environmental conservation activities, the Group has been consistently fulfilling its corporate social responsibility, protecting the ecological environment, driving the corporate efforts in pollution and carbon reduction, and joining hands with each other to increase efficiency.

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SUPPLIER MANAGEMENT

The Group attaches importance to procurement management and has formulated the *Supplier Management Rules* and the *Regulations for Suppliers Management under Centralized Procurement Strategy*, which specify the requirements for qualified suppliers and regulate the process from access to exit of suppliers, to encourage suppliers to strengthen their environmental and social performance, and help suppliers grow, so as to achieve win-win development of both the Group and its partners.

- Supplier admittance: To ensure the compliance of supplier selection and procurement work, and to control risks in the procurement process, all suppliers are required to fill in supplier information either by themselves or by procurement staff upon their admittance. All suppliers are required to pass relevant qualification check before they are admitted. The Group assesses and analyzes suppliers' overall scale, bank account permit and other qualifications, and considers their administrative penalty records. Suppliers must be categorized as qualified before being added into the database.

- Supplier evaluation: The Group evaluates its suppliers from various dimensions, such as technology, quality, responsiveness, delivery and cost, in order to maintain the high standards and quality of its suppliers. At the same time, the Group brings to life the philosophy of green procurement, including the *China Compulsory Certification* (3C Certification) and the *Restriction of Hazardous Substances* (RoHS) into its evaluation of suppliers in accordance with the requirements of environmental regulations such as the *Environmental Protection Law of the People's Republic of China,* the *Administrative Measures for the Prevention and Control of Environmental Pollution by Electronic Waste* and the *Administrative Measures on License Grant for Treatment Qualification for Waste Electrical Appliances and Electronic Products*.

- Daily management of suppliers: For the purpose of achieving strict control of the quality of supply, the Company conducts dynamic evaluation, periodic evaluation and annual comprehensive evaluation on its suppliers, classifies the suppliers into several levels, and disqualifies unqualified suppliers in a timely manner.

- Supplier exit: The Group will remove suppliers with minimal transaction amounts or poor delivery performance, and those who fail to meet our requirements from the list of qualified suppliers.

The Group encourages its suppliers to maintain high standards of business ethics and satisfactory environmental and social performance. The Group communicates with its suppliers on anti-corruption, and requires each of them to sign an undertaking on honesty and integrity when entering into contracts with the Group. Meanwhile, the procurement staff and financial and legal personnel will carry out risk checks to identify whether suppliers have violated regulations on labor protection, corruption and bribery, environmental pollution, etc. In particular, suppliers in respect of the derivatives business are required to provide environmental impact assessment reports. Suppliers with non-compliant behavior will be removed from the Group's database and excluded from cooperation.

In line with the business needs, the Group's suppliers are mainly engaged in online services, such as channel marketing and promotion, and may involve procurement of some physical items, such as materials and on-site service equipment. In this regard, the Group gives priority to those with 3C Certification and RoHS Certification. Meanwhile, as for product procurement, the Group selects suppliers who have Qualification for the Disposal of Waste Electrical Appliances and Electronic Products and provide recycling services for discarded machines. During the Reporting Period, the Group had cooperation with a total of 1,279 suppliers, all from China, including Hong Kong, Macao and Taiwan.

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SOCIAL CHARITY

"Engaging in charity through a commercial approach" is the Group's primary attitude towards charity. Charity is deep in the heart of every Aliren (Alibaba employees). The Group organizes volunteering activities such as making charity films, and financial aid programs for students to promote positive values in the society.

The Group has organized a variety of charitable activities, and joined the "three hours per person per year" charitable initiative of Alibaba Group. During the Reporting Period, employees of the Group devoted a total of 4,011 hours in volunteering activities.

Help to Resume Operation and Production

COVID-19 has brought extensive and significant impact on the film and television industry. Being a key player in the entertainment industry in the PRC, Alibaba Pictures has taken actions to support recovery of the film market together with industry partners. In order to help cinemas resume operation and production, the Group has provided them with support in various aspects, such as funds, materials and technologies. The Group's "Yunzhi" platform rapidly developed a function for setting of social distancing ticketing with one click, allowing it to put into use upon the resumption of operation to improve cinemas' efficiency in ticketing management when prevention and control of the pandemic are normalized, and to ensure the health and safety of the audience. The Group also released and procured cinemas to use the "Cloud Ticketing" system which facilitates cost reduction and enhancement in efficiency. Meanwhile, the Group carried out online events, launched multiple online marketing products and held online release events in cooperation with Taobao Live and Youku. Cloud Production, a production management system of the Group, used online digitalized management to resolve issues encountered by dozens of crews in preparation and film review, enabling film producers to continue with work during the pandemic.

In addition, the Group proactively safeguards the interests of users, and has a well-established anti-epidemic support plan for cinemas in place to build a sustainable community relationship. Since the outbreak of the pandemic, the Group has helped 10 million users with self-service ticket returns and refunds, and provided various support services to more than 100 merchants in terms of commission reduction, early refund and financial assistance. In particular, "Yunzhi" platform has provided free services for 119 cinemas for 6 months in a row, and remains committed to fighting side by side with the industry partners to overcome difficult time.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Nurture Young Creators

The Group attaches great importance to the cultivation of young talents in film creation, and encourages young authors to create quality and positive films. In 2019, the Group launched the "Torch Plan" (薪火計劃), aiming to foster more future-oriented young talents in film creation and build a talent pipeline for Chinese film industry for the next decade. In 2021, following the "Torch Plan", the Group organized the first essay contest with a theme of "Inspirational Stories under Torch Plan" (薪火好故事) to collect novels and videos from creators around the world for the purpose of exploring high-quality stories and ideas. The shortlisted works would enter the professional development process. The contest is designed to capture the real lives of young people, focusing on the two major themes: contemporary inspirational youth and near-future science fiction, and revealing young people's relentless pursuit of dreams and their attitude towards constant exploration of the future world, as demonstrated in, for example, the female inspirational theme film "*Sister's Fist* (姐姐的拳)" and the doomsday theme film "*Noah* (諾亞)". Since the contest kicked off, the Group has received more than 1,500 entries, of which a total of 25 outstanding ones are selected for final review, and a number of excellent ones are awarded various prizes.

Poster: Inspirational Stories under Torch Plan

Promoting Art Films

The Group is committed to promoting the development of art films by building a comprehensive film and television information platform and building a connection between the audiences and art films. In 2019, the Group established the "City of Aesthete" (愛藝之城), a community for art film audiences, in cooperation with the Nationwide Alliance of Arthouse Cinemas. It helped films successfully reach their fans through quality news feed of film information and reviews, online interactive events, and offline viewers recruitment. At the same time, the "City of Aesthete" (愛藝之城) provided assistance to art film producers and film festival organizing committees on the promotion and distribution of a number of art films, including "*Like the Dyers's Hand* (掬水月在手)", "*China's Post-00s* (零零後)" and "*The Father* (困在時間裡的父親)", and hence becomes a core platform for promotion and distribution of art films. Since its establishment, the "City of Aesthete" (愛藝之城) has gathered more than one million cinephiles, and served multiple film festivals with a gross box office of tens of millions of dollars.

Helping the Visually Impaired

As part of its mission to promote positive values, the Group actively served the visually impaired community to help them enjoy the fun of films. Over the past three years, the Group co-operated with various organizations to launch "Barrier-free Film Viewing" programs, providing film sources and Key Delivery Message (KDM) to the charity campaigns, and helped a total of 20,000 visually impaired people to access barrier-free films and enjoy the silver screen.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GREEN OPERATIONS

The Group adheres to the concept of "green development", and has implemented Alibaba Group's carbon reduction strategy and carbon neutralization initiative to improve employees' awareness of low-carbon life. In light of the nature of the Group's business, its business operation does not cause any material impact on the environment and natural resources, nor does its generate any air pollution or wastewater discharge.

There are no laws and regulations relating to type of air and greenhouse gas emissions, discharges into water and land, use of packaging materials for finished products and generation of hazardous and non-hazardous waste applicable to the Group's daily operation. Accordingly, during the Reporting Period, no non-compliance with such laws and regulations had been identified.

Green Crew

To reduce the use of resources and carbon emissions of the traditional video industry, we make efforts to build a "green crew" and improve resources utilization efficiency by promoting digital shooting technology and recycling of crew properties.

Case study: "LED digital background shooting" project

In traditional on-location shooting, for the purpose of site coordination and compliance with environmental protection standards, a large number of crews need to travel to second and third-tier cities, and in most cases, the live-action scenes built can only be used for certain specific shots and cannot be recycled, which results in a significant amount of waste. To resolve such issues, we introduced the LED overall shooting scheme, significantly reducing the use of time, waste of resources and costs of transportation by a virtual shooting scheme using LED digital scenery to replace actual setting and props. The shooting scheme was adopted in a number of projects, including "*Be Your Self* (機智的上半場)", "*Robot in the Orange Garden* (你好呀，我的橘子戀人)" and "*Be Reborn* (重生之門)". The LED digital background shooting scheme has been put into use for two years, assisting producers in saving 30%-50% of post-production compositing costs, and increasing shooting efficiency from an average of 4 pages of scripts per day to 7 pages per day.

Case study: Crew props recycling program

The Group promotes the recycling and reusing of crew properties through the digital platform of film and television properties, remolding and recycling clothing, offering second-hand designer clothing for auction, thus improving the properties reuse rate, and reducing pollution arising from processing of textile waste. During the two years since its launch, 300,000 pieces of props and clothing have been recycled, serving more than 245 crews and saving over RMB70 million in costs for the industry. We also promote a paper and plastic reduction plan. The project team of "*Sweet and Cold* (甜小姐與冷先生)" spearheaded the implementation of the plan, distributing reusable water cups and tableware instead of disposable ones, in a bid to reduce waste generation and carbon emissions from the crew.

During the Reporting Period, the Group had agreed to provide Damai with comprehensive operation services, stepped up its effort in promoting paperless ticketing, reduced carbon emissions and boosted green consumption. In so doing, the Group managed to create fresh experiences for consumers while improving the ecological environment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Green Office

The wastes generated by the Group mainly include office and domestic waste from daily office work, as well as a small amount of common hazardous waste, such as disused light tubes. Such waste[4] will be sorted and collected in strict compliance with relevant regulations, and then transported by the property management companies of the campuses to qualified third-party entities for recycling.

The energy consumed by the Group mainly includes fuel gas, gasoline, electricity and purchased heat. As the Group obtains water mainly from municipal supplies, there was no issue in terms of sourcing water. The Group has implemented a series of green office initiatives, including:

- Arranging round-the-clock security patrol in the office area, turning off lighting devices when no one is in the office.
- Installing induction faucets to reduce water waste.
- Providing mugs in the office area to reduce consumption of disposable paper cups.
- Prioritizing recycling of wastes that can be reused.
- Setting duplex printing as default setting of the printers and encouraging the reuse of one-sided printouts, while adopting smart office equipment and promoting paperless office.
- Encouraging the substitution of videoconferencing for business travels.
- Encouraging our camera crews to save resources and reduce waste. In cases where shooting takes place at conservation areas, with a view to preventing ecological damage, the Company will obtain approval from relevant local governing authorities before entering such areas, and restore all sites to their original conditions following completion of the shooting.

During the Reporting Period, the Group saved 1,868.18 kWh of energy per month through the energy-saving renovation of the garage lighting system, and saved 2,821.23 kWh of electricity per month by controlling the lighting time of floors.

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4 As the Group generates little waste and the impact on the environment is relatively small, no exact data have been collected in this regard for the time being. Looking forward, with the gradual expansion of its business, the Group will consider improving the data collection process if the waste generation further increases.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Alibaba Pictures conducts environmental campaigns, which focus on the aspects of food, clothing, living and transportation, to raise the environmental awareness of its employees and promote green and low-carbon concepts. The Group has been continuously carrying out activities such as the campaign "Clear Your Plate and Be Food Wise" (有新光盤，量力而食) and the campaign to reduce the burden on Earth through the action of using one less plastic bag each day, to guide its employees to enhance their awareness of environmental protection and fulfill environmental protection responsibilities by starting from themselves and daily life activities.

Table: Energy consumption of Alibaba Pictures during the Reporting Period

Type of energy	Unit	FY2022 Data
Fuel gas consumption	m^3	35,020.6
Purchased electricity	MWh	2,399.9
Purchased heat	MWh	1,448.2
Comprehensive energy consumption	tce	390.9
Comprehensive energy consumption per capita	tce/person	0.29
Greenhouse gas emission	tCO_2e	2,043.6
Greenhouse gas emission per capita	tCO_2e/person	1.53
Water consumption	tons	19,967.9
Water consumption per capita	tons/person	14.9

Notes:

1. 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 energy-using and water facilities installed in public areas of the office buildings by property management companies of the campuses with other employees of Alibaba Group, and the energy usage was calculated based on the proportion of our office spaces. The statistical caliber has been expanded from last year, as data of the Company and its subsidiaries were both taken into account for the current financial year. As a result, total energy consumption increased significantly as compared with that of last year. Meanwhile, since the Work From Home Policy was implemented during the pandemic in 2020, the Group's employees spent a relatively longer time working in the offices during this financial year as compared with last year. As a result, energy consumption per capita was slightly higher.

2. The data of comprehensive energy consumption and greenhouse gas emission were calculated according to the *General Rules for Calculating Comprehensive Energy Consumption* (GB2589-2020) and the corresponding conversion coefficients mentioned in the Guidelines for Accounting and Reporting of Greenhouse Gas Emissions of Enterprises (企業溫室氣體排放核算方法與報告指南) for 24 industries. A power grid emission factor of 0.5810 tCO_2/MWh was used, which was provided in the *Notice on Key Work Related to the Reporting and Management of Enterprises' Greenhouse Gas Emissions in 2022* (關於做好2022年企業溫室氣體排放報告管理相關重點工作的通知) issued by the Ministry of Ecology and Environment.

Responding to Climate Change

Against the backdrop of the gradual intensification of climate change, the Group fully evaluates the impact of climate change on its business development. The main risks to which the Group's film and television business is exposed arise from the frequent occurrence of natural disasters such as typhoons, rainstorms and floods. The Group's camera crews may therefore face suspension, or may suffer property damage and personal injury, which would result in economic loss. In respect of the Group's IP derivatives business, the supply from manufacturers may also be disrupted due to natural disasters, which would lead to insufficient inventory and reduced product sales. In light of such risks, the Group has enhanced weather monitoring and early warning and developed emergency plans for natural disasters. Meanwhile, the Group has purchased property insurance and personal insurance for the camera crews to minimize the risk of losses. On the other hand, the Group continues to explore the technology upgrading of businesses of film and television promotion and distribution and Internet ticketing. With the support of technology and digitalization platforms, the Group will be able to provide online data analytics and management tools and online marketing solutions, which would potentially bring the Group greater business growth and development opportunities amid China's transition to a low-carbon economy.

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"), which are set out on pages 140 to 243, comprise:

- the consolidated balance sheet as at March 31, 2022;
- 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 significant accounting policies and other explanatory information.

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, 2022, 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.

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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
- Fair value measurement of financial assets at fair value through profit or loss – unlisted investments

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. As at March 31, 2022, the carrying amount of the Group's goodwill is amounted to RMB3,551 million. The goodwill were allocated to several cash-generating units ("CGUs"). 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 CGUs. We focus on auditing the impairment of goodwill because the estimation of the recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of goodwill is considered significant due to the subjectivity of significant assumptions used including the gross merchandise value ("GMV"), forecasted revenue, gross margin and the ratio of market promotion expenses to GMV, the long-term growth rate, the pre-tax discount rates and the significant amount of the related balance.	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: – GMV, forecasted revenue, 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 revenue, we also compared to future market growth rate as forecasted and sourced from external parties; – the long-term growth rate, by comparing them with the relevant economic and industry forecasts, including certain forecasts sourced from external parties; and – the pre-tax 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 outcome of prior year assessment of goodwill impairment to assess the effectiveness of management's estimation process; • Involved our internal valuation expert in assessing the appropriateness of certain significant assumptions used and the valuation methodology used; • Tested the mathematical accuracy of the calculations of the recoverable amounts of these CGUs; • 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; and • Assessed the adequacy of the disclosures related to goodwill impairment assessment in the context of HKFRSs. 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, 2022, the net book value of the Group's film and TV rights amounted to RMB1,728 million. An impairment loss of RMB54 million was recognized during the year ended March 31, 2022. 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. We focus on auditing the impairment of film and TV rights because the estimation of the recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of film and TV rights is considered significant due to the subjectivity of significant assumptions used including the estimated revenue, distribution costs and other cost information, and the significant amount of the related balance.	Regarding management's estimated future net cash inflows for recoverability assessment of the film and TV rights, 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; • 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;

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)*	• For film and TV rights which production has yet to be completed, we performed specific procedures by: – examining the purchase contracts to check the validity of the purchased copyrights, discussed with the management to understand their future production plans and distribution plans and examined related production contracts to corroborate these plans, which are the basis of future cash flow projections; and – inquiring 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. • For film and TV rights which production has been completed, we 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;

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)*	• 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: – examining the signed sales contracts of film and TV dramas, if any; 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; and • Assessed the adequacy of the disclosures related to film and TV rights impairment assessment in the context of HKFRSs. 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, 2022, the net book value of the Group's investments accounted for using the equity method amounted to RMB1,723 million. An impairment loss of RMB219 million was recognized during the year ended March 31, 2022. 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 pre-tax discount rates applied to calculate the present values of the future cash flows. We focus on auditing the impairment assessment of investments accounted for using the equity method because the estimation of the recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of investments accounted for using the equity method is considered significant due to the subjectivity of significant assumptions used, 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 outcome of prior year impairment assessment of investments accounted for using the equity method to assess the effectiveness of management's estimation process; • Involved our internal valuation expert in assessing the appropriateness of certain significant assumptions used and 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 pre-tax discount rates, by comparing the rates used by the Group to those of comparable companies; • Tested the mathematical accuracy of the calculations in the recoverable amounts of the investments; and • Assessed the adequacy of the disclosures related to impairment assessment of investments accounted for using the equity method in the context of HKFRSs. 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, 2022, the net book value of the Group's trade receivables amounted to RMB1,675 million. Net reversal of loss allowances of RMB0.6 million were recognized during the year ended March 31, 2022. 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 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. We focus on auditing the expected credit losses assessment of trade receivables because the estimation of the recoverable amount of trade receivables is subject to high degree of estimation uncertainty. The inherent risk in relation to the expected credit losses assessment of trade receivables is considered significant due to the complexity of the model, and the significant amount of the related balance.	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; • Tested the mathematical accuracy of the calculation of the expected credit losses; and • We assessed the adequacy of the disclosures related to expected credit losses assessment of trade receivables in the context of HKFRSs. 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
Fair value measurement of financial assets at fair value through profit or loss – unlisted investments	
Refer to Note 4(e) to the consolidated financial statements – Critical accounting estimates and judgments and Note 3.3 – fair value estimation. As at March 31, 2022, the net book value of the Group's financial assets at fair value through profit or loss – unlisted investments amounted to RMB1,273 million. A fair value gain of RMB321 million was recognized during the year ended March 31, 2022. The unlisted investments were measured based on significant unobservable inputs and classified as "Level 3 financial instruments". Management engaged an external valuer to assist to determine the fair value of these unlisted investments. The fair value determination of such investments required management to make judgements and estimates, including the forecasted revenue, discount rates, IPO probability, expected volatility as well as the recent equity transactions completed by the investments, etc. We focus on auditing the fair value measurement of financial assets at fair value through profit or loss – unlisted investments because the estimation of the fair value is subject to high degree of estimation uncertainty. The inherent risk in relation to the fair value assessment is considered significant due to subjectivity of significant assumptions used, and the significant amount of the related balance.	Our procedures on the fair value measurement of financial assets at fair value through profit or loss – unlisted investments 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 controls over assessing the fair value measurement of financial assets at fair value through profit or loss – unlisted investments; • Assessed the competency, capability and objectivity of the independent external valuer engaged by the Group for performing the fair value valuation of the unlisted investments by assessing its qualifications, relevant experience and relationship with the Group; • Involved our internal valuation expert to discuss with management and the valuer and assess the appropriateness of valuation methodology and assumptions used and test the valuation of the unlisted investments as at March 31, 2022 by evaluating the underlying assumptions including the forecasted revenue, discount rates, IPO probability, expected volatility as well as the recent equity transactions completed by the investments, etc.; • Tested the accuracy of mathematical calculation applied in the valuation models; • Tested the accuracy of the mathematical calculation of the fair value changes on the unlisted investments for the year; and • Assessed the adequacy of the disclosures related to fair value measurement of financial assets at fair value through profit or loss – unlisted investments in the context of HKFRSs. 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

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.

- 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.

INDEPENDENT AUDITOR'S REPORT

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

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 1, 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	For the year ended March 31 2022 RMB'000	2021 RMB'000
Revenue	5	**3,652,170**	2,858,897
Cost of sales and services	8	**(2,157,025)**	(1,471,489)
Gross profit		**1,495,145**	1,387,408
Selling and marketing expenses	8	**(564,571)**	(438,674)
Administrative expenses	8	**(925,474)**	(870,013)
Impairment losses on financial assets, net	3.1(b)	**(176,150)**	(143,844)
Other income	6	**113,078**	47,345
Other gains/(losses), net	7	**337,188**	(89,750)
Operating profit/(loss)		**279,216**	(107,528)
Finance income	10	**91,988**	102,292
Finance expenses	10	**(12,703)**	(18,746)
Finance income, net		**79,285**	83,546
Share of loss of and gain on dilution of investments accounted for using the equity method	13	**(10,749)**	(3,751)
Impairment of investments accounted for using the equity method	13	**(218,850)**	(90,254)
Profit/(loss) before income tax		**128,902**	(117,987)
Income tax credit	11	**25,413**	802
Profit/(loss) for the year		**154,315**	(117,185)
Profit/(loss) attributable to:			
Owners of the Company		**169,853**	(96,311)
Non-controlling interests		**(15,538)**	(20,874)
Earnings/(loss) per share attributable to owners of the Company for the year *(expressed in RMB cents per share)*	12		
– Basic		**0.64**	(0.36)
– Diluted		**0.64**	(0.36)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the year ended March 31 2022 RMB'000	2021 RMB'000
Profit/(loss) for the year		**154,315**	(117,185)
Other comprehensive loss:			
Items that may be reclassified to profit or loss			
Share of other comprehensive income of an associate	13	**1,393**	–
Currency translation differences attributable to owners of the Company		**(79,691)**	(162,860)
Items that may not be reclassified to profit or loss			
Currency translation differences attributable to non-controlling interests		**(8,312)**	(3,438)
Other comprehensive loss for the year, net of tax		**(86,610)**	(166,298)
Total comprehensive income/(loss) for the year		**67,705**	(283,483)
Attributable to:			
– Owners of the Company		**91,555**	(259,171)
– Non-controlling interests		**(23,850)**	(24,312)
Total comprehensive income/(loss) for the year		**67,705**	(283,483)

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

CONSOLIDATED BALANCE SHEET

	Note	As at March 31 2022 RMB'000	2021 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	14	**23,352**	62,113
Investment property	17	**21,400**	22,562
Goodwill	15	**3,551,116**	3,551,116
Intangible assets	15	**113,676**	126,461
Right-of-use assets	16	**148,043**	244,868
Deferred income tax assets	29	**13,401**	11,453
Investments accounted for using the equity method	13	**1,723,173**	2,075,319
Film and TV rights and investments	19	**204,067**	221,413
Financial assets at fair value through profit or loss	18	**1,317,685**	1,131,683
Trade and other receivables, and prepayments	21	**598,989**	691,847
		7,714,902	8,138,835
Current assets			
Inventories	22	**17,831**	–
Film and TV rights and investments	19	**1,740,729**	1,305,498
Trade and other receivables, and prepayments	21	**2,546,345**	2,171,718
Current income tax recoverable		**–**	946
Financial assets at fair value through profit or loss	18	**–**	7,000
Cash and cash equivalents	23	**3,538,214**	3,897,802
Restricted cash	23	**18,677**	19,083
		7,861,796	7,402,047
Total assets		**15,576,698**	15,540,882
Liabilities			
Non-current liabilities			
Borrowings	28	**–**	15,000
Deferred income tax liabilities	29	**49,302**	62,657
Lease liabilities	16	**137,231**	247,513
		186,533	325,170

CONSOLIDATED BALANCE SHEET

	Note	As at March 31 **2022** **RMB'000**	 2021 RMB'000
Current liabilities			
Trade and other payables, and accrued charges	27	**1,119,921**	1,252,279
Contract liabilities	5	**186,345**	61,297
Current tax liabilities		**883**	243
Borrowings	28	**9,375**	15,000
Lease liabilities	16	**30,639**	48,955
		1,347,163	1,377,774
Total liabilities		**1,533,696**	1,702,944
Equity			
Equity attributable to owners of the Company			
Share capital	24	**5,452,976**	5,424,523
Reserves		**8,564,131**	8,361,798
		14,017,107	13,786,321
Non-controlling interests		**25,895**	51,617
Total equity		**14,043,002**	13,837,938
Total equity and liabilities		**15,576,698**	15,540,882

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

The financial statements on pages 140 to 243 were approved by the Board of Directors on June 1, 2022 and were signed on its behalf by:

Fan Luyuan
Executive Director & Chairman

Meng Jun
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company										
	Note	Share capital RMB'000	Share premium RMB'000	Shares held for share award scheme RMB'000	Other reserve RMB'000	Shareholder's contribution reserve RMB'000	Translation reserve RMB'000	Share-based compensation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total 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 income for the year		–	–	–	–	–	(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	24	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	25	–	–	–	–	–	–	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

		Attributable to owners of the Company										
	Note	Share capital RMB'000	Share premium RMB'000	Shares held for share award scheme RMB'000	Other reserve RMB'000	Shareholder's contribution reserve RMB'000	Translation reserve RMB'000	Share-based compensation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
For the year ended March 31, 2022												
As at April 1, 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**
Profit for the year		–	–	–	–	–	–	–	**169,853**	**169,853**	**(15,538)**	**154,315**
Other comprehensive income for the year		–	–	–	–	–	**(78,298)**	–	–	**(78,298)**	**(8,312)**	**(86,610)**
Total comprehensive loss for the year		–	–	–	–	–	**(78,298)**	–	**169,853**	**91,555**	**(23,850)**	**67,705**
Share of other reserves of investments accounted for using the equity method	13	–	–	–	**268**	–	–	–	–	**268**	–	**268**
Exercise of share options under share option scheme	24	**382**	**1,973**	–	–	–	–	**(794)**	–	**1,561**	–	**1,561**
Issuance of shares under share award scheme		**28,071**	**49,406**	**(77,477)**	–	–	–	–	–	–	–	–
Shares purchased for share award scheme		–	–	**(9,489)**	–	–	–	–	–	**(9,489)**	–	**(9,489)**
Shares vested under share award scheme		–	–	**117,526**	–	–	–	**(117,526)**	–	–	–	–
Value of employee services provided under share option scheme and share award scheme	25	–	–	–	–	–	–	**146,891**	–	**146,891**	–	**146,891**
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	**(1,872)**	**(1,872)**
As at March 31, 2022		**5,452,976**	**13,423,271**	**(233,757)**	**(1,071,020)**	**48,527**	**(248,885)**	**350,359**	**(3,704,364)**	**14,017,107**	**25,895**	**14,043,002**

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, 2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operating activities	31(a)	**(509,330)**	268,516
Income tax refund/(paid)		**11,696**	(3,564)
Net cash (outflow)/inflow from operating activities		**(497,634)**	264,952
Cash flows from investing activities:			
Purchases of wealth management products		**(8,000)**	–
Principal received on investments in wealth management products		**15,000**	243,750
Change in bank deposits with the maturity over three months		**–**	120,772
Interest received		**72,113**	84,535
Investment interest received on investments in wealth management products		**75**	4,816
Proceeds from disposal of an associate		**138,744**	–
Proceeds from derecognition of unlisted investments	3.3	**9,349**	4,450
Dividends from financial assets at fair value through profit or loss		**59,890**	–
Proceeds from disposal of property, plant and equipment		**3,797**	3
Net cash outflow from disposal of subsidiaries	33	**(166)**	–
Purchase of intangible assets		**(1,173)**	(179)
Payment of acquisition of a subsidiary		**(3,000)**	(4,000)
Payment of acquisition of joint ventures		**(9,250)**	–
Loans granted to an associate	34(d)	**–**	(20,000)
Purchases of property, plant and equipment and investment property		**(15,362)**	(22,279)
Increase in unlisted investments	3.3	**–**	(357,500)
Net cash inflow from investing activities		**262,017**	54,368

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the year ended March 31, 2022 RMB'000	2021 RMB'000
Cash flows from financing activities:			
Exercise of share options under share option scheme		**1,561**	11,065
Dividends paid to non-controlling interests		**(1,872)**	(2,165)
Interest paid		**(1,150)**	(5,874)
Shares purchased for share award scheme		**(9,489)**	(5,991)
Principal and interests elements of lease payments		**(48,886)**	(21,239)
Repayment of borrowings	28	**(20,625)**	(363,550)
Net cash outflow from financing activities		**(80,461)**	(387,754)
Net decrease in cash and cash equivalents		**(316,078)**	(68,434)
Cash and cash equivalents at beginning of the year		**3,897,802**	4,004,528
Exchange effect on cash and cash equivalents		**(43,510)**	(38,292)
Cash and cash equivalents at end of the year		**3,538,214**	3,897,802

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 integrated platform with content and technology as the core, covering content production, promotion and distribution, IP merchandising licensing and commercial management, cinema ticketing management and Internet data services for the entertainment industry.

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

The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "HK Stock Exchange"). As at March 31, 2022, the Company is approximately 50.0007% owned by Ali CV Investment Holding Limited ("Ali CV"). Ali CV is a wholly-owned subsidiary of Alibaba Investment Limited ("AIL") which is in turn wholly-owned by Alibaba Group Holding Limited ("AGH").

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. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

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, 2021:

- Interest Rate Benchmark Reform - Phase 2 - amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16

- COVID-19-Related Rent Concessions - amendments to HKFRS 16

The amendments listed above did not have any significant impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards and amendments not yet adopted

Certain new accounting standards and amendments have been published that are not mandatory for March 31, 2022 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Subsidiaries

2.2.1 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation *(Continued)*

(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)*

2.2 Subsidiaries *(Continued)*

2.2.1 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)*

2.2 Subsidiaries *(Continued)*

2.2.1 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.

2.2.2 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.

2.3 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Associates and joint arrangements *(Continued)*

(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 2.9.

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

Unrealized 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. Unrealized 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Associates and joint arrangements *(Continued)*

(d) Changes in ownership interests

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2.4 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.

2.5 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)*

2.5 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)*

2.6 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 2.9).

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.

2.7 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)*

2.8 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 that they may be impaired (Note 2.9).

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)*

2.8 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.

2.9 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.

2.10 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Financial assets *(Continued)*

Classification *(Continued)*

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)*

2.10 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Financial assets *(Continued)*

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.

2.11 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.

2.12 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. Costs of purchased inventory are determined after deducting rebates and discounts. It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Film and TV rights and investments *(Continued)*

(a) Film and TV rights (Continued)

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 as cost of sales and services 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. An impairment loss is recognized as cost of sales and services in the consolidated statement of profit or loss for the amount by which cost exceeds its net realizable value.

(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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Current and deferred income tax *(Continued)*

(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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Employee benefits *(Continued)*

(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.

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.

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)*

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.

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, artist management services, and sales of pop toys.

(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.

(8) Revenue from sales of pop toys are recognized when the control of the product has transferred to the customer, which is the point of acceptance by the customers.

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).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Earnings per share *(Continued)*

(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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.29 Lease *(Continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.29 Lease *(Continued)*

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.

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, 2022 and 2021.

As at March 31, 2022, 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, 2022		March 31, 2021	
	HK dollar	**US dollar**	HK dollar	US dollar
	RMB'000	**RMB'000**	RMB'000	RMB'000
Cash and bank balances	**9,834**	**859,521**	15,953	1,112,946
Trade and other receivables	**705**	**167,608**	336	137,402
Trade and other payables	**4,219**	**1,112**	4,852	4,349

For the year ended March 31, 2022, if RMB had weakened/strengthened by 5% (2021: 5%) with all other variables held constant, pre-tax profit would have been RMB51,617,000 higher/lower (2021: pre-tax loss would have been RMB62,872,000 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. For the year ended March 31, 2022, the Group's borrowings at variable rates were amounted to approximately RMB9,375,000 (2021: RMB30,000,000). 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 profit for the year would have been RMB94,000 lower/higher (2021: pre-tax loss would have been RMB300,000 higher/lower).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) ***Market risk*** *(Continued)*

(iii) *Price risk*

The Group is exposed to price risk in respect of listed investment and unlisted investment 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, 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, 2022, 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 96.5% of the total trade receivables as at March 31, 2022.

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, 2022				
Receivables of technology				
Provision on individual basis	49.87%	1,177	(587)	590
Provision on collective basis	11.30%	152,672	(17,254)	135,418
Receivables of content				
Provision on individual basis	96.57%	113,663	(109,767)	3,896
Provision on collective basis	1.27%	1,503,017	(19,085)	1,483,932
Receivable of IP merchandising and commercialization				
Provision on individual basis	0.00%	–	–	–
Provision on collective basis	1.79%	51,830	(928)	50,902
		1,822,359	(147,621)	1,674,738

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				
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)

The loss allowance for trade receivables recognized during the year ended March 31, 2022 is as follows:

	For the year ended March 31, 2022 RMB'000
Opening balance	148,245
Increase in loss allowance during the year	100,112
Written off as uncollectible	(73,363)
Reversal of previous impairment losses	(27,373)
Closing balance	147,621

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, 2022 is as follows:

	For the year ended March 31, 2022 RMB'000
Opening balance	**446,372**
Increase in loss allowance during the year	**104,214**
Written off as uncollectible	**(48,039)**
Reversal of previous impairment losses	**(803)**
Closing balance	**501,744**

Net impairment losses on financial assets recognized in profit or loss

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

	For the year ended March 31,	
	2022	2021
	RMB'000	RMB'000
Impairment losses on trade receivables	**100,112**	56,618
Impairment losses on other receivables	**104,214**	249,285
Reversal of previous impairment losses	**(28,176)**	(162,059)
Impairment losses on financial assets, net	**176,150**	143,844

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, 2022						
Trade and other payables (excluding non-financial liabilities)	958,253	–	–	–	958,253	958,253
Borrowings	9,443	–	–	–	9,443	9,375
Lease liabilities	42,051	27,391	58,953	100,692	229,087	167,870
	1,009,747	27,391	58,953	100,692	1,196,783	1,135,498

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, 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

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, 2022 and 2021, 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, 2022 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, 2022.

	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)				
Film and TV Investments, at fair value (current)	–	–	**13,000**	**13,000**
Financial assets at fair value through profit or loss (non-current)				
Unlisted investments	–	–	**1,272,547**	**1,272,547**
Listed investment	–	**45,138**	–	**45,138**
Film and TV Investments, at fair value (non-current)	–	–	**204,067**	**204,067**
Total	–	**45,138**	**1,489,614**	**1,534,752**

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, 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

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.

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, 2022 and 2021.

	For the year ended March 31,	
	2022	2021
	RMB'000	RMB'000
Investments in wealth management products		
Opening balance	**7,000**	250,750
Change in investment amount, net	**(7,075)**	(248,566)
Change in fair value (Note 7 and 18)	**75**	4,816
Closing balance	**–**	7,000

	For the year ended March 31,	
	2022	2021
	RMB'000	RMB'000
Film and TV investments, at fair value		
Opening balance	**305,426**	398,193
Change in investment amount, net	**13,000**	14,000
Change in fair value (Note 7 and 19)	**79,192**	(20,841)
Derecognition	**(178,414)**	(80,673)
Currency translation differences	**(2,137)**	(5,253)
Closing balance	**217,067**	305,426

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 of 17% based on the management estimates and are within level 3 of the fair value hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

Financial instruments in level 3 *(Continued)*

If the fair values of the film and TV investments held by the Group had been 10% higher/lower as at March 31, 2022, pre-tax profit for the year ended March 31, 2022 would have been RMB21,707,000 higher/lower (2021: pre-tax loss would have been RMB30,543,000 lower/higher).

The following table presents the changes in level 3 instruments for the years ended March 31, 2022 and 2021.

	For the year ended March 31,	
	2022	2021
	RMB'000	RMB'000
Unlisted investments		
Opening balance	**1,131,683**	860,883
Change in investment amount, net	**–**	357,500
Change in fair value (Note 7 and 18)	**320,587**	(69,494)
Transfer to level 2 financial instruments	**(166,953)**	–
Derecognition	**(9,349)**	(4,450)
Currency translation differences	**(3,421)**	(12,756)
Closing balance	**1,272,547**	1,131,683

On November 18, 2021, One 97 Communications Limited, the India's leading digital ecosystem, was successfully listed on the India National Stock Exchange. The fair value of the listed investment is evaluated by the directors based on adjusted quoted prices in active markets with a discount for lack of liquidity and the Group transferred the investment from level 3 into level 2 accordingly.

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. The Group has engaged an independent external valuers for performing the fair value valuation. 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 or market approach. The estimated fair values were based on assumptions, such as the forecasted revenue, discount rates, IPO probability, expected volatility, as well as the recent equity transactions completed by the investments, etc.

If the fair values of the unlisted investments held by the Group had been 10% higher/lower as at March 31, 2022, pre-tax profit for the year ended March 31, 2022 would have been RMB127,255,000 higher/lower (2021: pre-tax loss would have been RMB113,168,000 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 2.9. 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, 2022 (2021: Nil).

(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 classified as intangible asset 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.

For the film and TV rights treated as inventory, management of the Company assesses the impairment with reference to its cost and net realizable value at the end of the reporting period. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The Group's estimation of impairment provision for film and TV rights involves significant management judgment based on the consideration of key factors such as estimated future selling prices and selling expenses of the respective 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 RMB53,974,000 was charged to cost of sales and services during the year ended March 31, 2022 (2021: RMB24,159,000).

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 2.9. 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 RMB218,850,000 was charged to impairment of investments accounted for using the equity method during the year ended March 31, 2022 (2021: RMB90,254,000).

(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. Details of the key assumptions and inputs used are disclosed in Note 3.3.

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

– Content: the investment and production of entertainment contents such as film and drama series both domestically and internationally.

– Technology: the construction and operation of pan-entertainment infrastructure that promotes the digital upgrade of the entertainment sector. The business mainly comprises digital platform ticketing, digitalization business and others.

– IP merchandising and commercialization: to integrate the licensing and marketing functions by establishing a platform which can directly reach consumers and continually communicate and interact with them through content matrix in various forms, building a complete link of IP-to-business-to-consumer ("IP2B2C") chain.

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	For the year ended March 31, 2022			
	Content RMB'000	Technology RMB'000	IP merchandising and commercialization RMB'000	Total RMB'000
Segment revenue				
– recognized at a point in time	1,632,195	756,883	440,255	2,829,333
– recognized over time	315,662	503,347	–	819,009
	1,947,857	1,260,230	440,255	3,648,342
Income from film and TV investments	–	3,828	–	3,828
Total segment revenue	1,947,857	1,264,058	440,255	3,652,170
Including: revenue recognized that was included in the contract liabilities balance at the beginning of the year	14,680	27,239	7,418	49,337

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

	For the year ended March 31, 2021			
	Content RMB'000	Technology 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

Segment revenue and results

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

	For the year ended March 31, 2021			
	Content RMB'000	Technology 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 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)

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

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

Contract liabilities

The Group has recognized the following liabilities related to contracts with customers:

	For the year ended March 31,	
	2022	2021
	RMB'000	RMB'000
Deferred revenue		
Film and TV copyrights	**98,292**	13,216
Promotion and distribution service and others	**88,053**	48,081
	186,345	61,297

Deferred revenue mainly comprises contract liabilities in relation to the prepayments received from customers, including TV stations and online platforms for which master tapes of the film and TV copyrights have not been delivered as broadcasting license have not been obtained and promotion and distribution service fees prepaid by customers for which the related services had not been provided as at March 31, 2022 and 2021.

6 OTHER INCOME

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 OTHER GAINS/(LOSSES), NET

	For the year ended March 31,	
	2022	2021
	RMB'000	RMB'000
Change in fair value of unlisted investments (Note 3.3 and 18)	**320,587**	(69,494)
Change in fair value of film and TV investments, at fair value (Note 3.3 and 19)	**79,192**	(20,841)
Gain on disposal of subsidiaries (Note 33)	**27,236**	–
Gain/(loss) on disposal of an associate (Note 13)	**16,844**	(11,167)
Net gains on disposal of film and TV investments	**9,460**	–
Trade and other payables written off	**6,670**	–
Change in fair value of investment in wealth management products (Note 3.3 and 18)	**75**	4,816
Net loss on disposal of property, plant and equipment	**(565)**	(202)
Change in fair value of listed investment (Note 18)	**(121,012)**	–
Compensation for the loss from film rights distribution	**–**	11,491
Losses from settlement of prepaid film deposits	**–**	(4,000)
Others	**(1,299)**	(353)
	337,188	(89,750)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 EXPENSE BY NATURE

	For the year ended March 31,	
	2022	2021
	RMB'000	RMB'000
Film and TV copyrights recognized as cost of sales and services (Note 19)	**1,542,116**	1,018,168
Employee benefit expenses (Note 9)	**648,683**	594,707
Marketing and promotion expenses	**564,571**	438,674
Cost of inventories, cinema ticketing and intellectual property licenses and other services recognized as cost of sales and services	**543,990**	381,174
Payment processing and other service fees	**75,676**	66,090
Technology service fees	**55,859**	69,390
Depreciation of right-of-use assets (Note 16)	**41,395**	32,392
Depreciation of property, plant and equipment (Note 14)	**41,280**	33,296
Travel and entertainment fees	**21,829**	15,877
Amortization of intangible assets (Note 15)	**13,958**	14,808
SMS platform service and customer service support fees	**8,595**	3,688
Impairment loss on property, plant and equipment (Note 14)	**7,607**	–
Rental expense for short-term and low-value leases (Note 16)	**660**	1,461
Auditor's remunerations		
– Audit services	**4,000**	4,000
Others	**76,851**	106,451
Total cost of sales and services, selling and marketing expenses and administrative expenses	**3,647,070**	2,780,176

Note:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 EMPLOYEE BENEFIT EXPENSES

	For the year ended March 31,	
	2022	2021
	RMB'000	RMB'000
Wages and salaries	**394,717**	376,818
Share-based payment under share option scheme and share award scheme (Note 25)	**146,891**	142,042
Social security costs and housing fund (Note a)	**98,910**	68,580
Termination benefits	**8,165**	7,267
	648,683	594,707

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% (2021: 14%~16%) 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, 2022 (2021: nil). There was no forfeited contribution available to reduce the contribution payable in the future years as at March 31, 2022 (2021: nil).

During the year ended March 31, 2022, the Group made total contributions to the retirement benefits schemes of RMB39,512,000 (2021: RMB37,404,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended March 31, 2022 include 1 (2021: 1) director whose emoluments are reflected in the analysis shown in Note 37. The emoluments payable to the remaining four (2021: four) individuals during the year ended March 31, 2022 are as follows:

	For the year ended March 31,	
	2022	2021
	RMB'000	RMB'000
Salaries, share options, other allowances and benefits in kind	**19,652**	25,636
Discretionary bonuses	**3,161**	4,477
Contributions to the retirement scheme	**180**	261
	22,993	30,374

The emoluments fell within the following bands:

	For the year ended March 31,	
	2022	2021
Emolument bands (in HK dollar)		
HK$4,500,001 to HK$5,000,000	**–**	1
HK$5,000,001 to HK$5,500,000	**1**	–
HK$5,500,001 to HK$6,000,000	**1**	2
HK$7,000,001 to HK$7,500,000	**1**	–
HK$8,000,001 to HK$8,500,000	**–**	1
HK$9,000,001 to HK$9,500,000	**1**	1
	4	5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 FINANCIAL INCOME AND EXPENSES

	For the year ended March 31,	
	2022	2021
	RMB'000	RMB'000
Finance income		
– Interest income on bank deposits	**73,276**	82,822
– Exchange gain, net	**18,712**	19,470
	91,988	102,292
Finance expenses		
– Interest expenses on lease liabilities (Note 16)	**(11,553)**	(14,940)
– Interest expenses on bank borrowings	**(1,150)**	(3,806)
	(12,703)	(18,746)
Finance income, net	**79,285**	83,546

11 INCOME TAX CREDIT

	For the year ended March 31,	
	2022	2021
	RMB'000	RMB'000
Current income tax	**10,110**	(5,156)
Deferred income tax (Note 29)	**15,303**	5,958
	25,413	802

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INCOME TAX CREDIT *(Continued)*

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

	For the year ended March 31,	
	2022	2021
	RMB'000	RMB'000
Profit/(loss) before income tax	**128,902**	(117,987)
Tax calculated at a tax rate of 25% (2021: 25%)	**32,226**	(29,497)
Tax effects of:		
– Effect of different tax rates of subsidiaries	**(67,895)**	1,925
– Associates' and joint ventures' results reported net of tax	**2,687**	938
– Income not subject to tax	**(5,740)**	(848)
– Additional deduction in relation to research and development costs	**(2,041)**	(3,297)
– Expenses not deductible for tax purposes	**3,005**	9,838
– Refund of income tax from previous years	**(11,996)**	–
– Utilization of previously unrecognized tax losses	**(154,345)**	(113,435)
– Temporary differences and tax losses for which no deferred income tax asset was recognized	**178,686**	133,574
Tax credit	**(25,413)**	(802)

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

Some of the subsidiaries are incorporated in the British Virgin Islands ("BVI") as exempted companies with limited liability under the Companies Law of BVI and accordingly, are exempted from BVI income tax.

Provision for the PRC enterprise income tax is calculated based on the statutory tax rate of 25% (2021: 25%) on the assessable income of each of the group companies, except that: (1) one subsidiary of the Company is taxed at preferential tax rates of 15% (2021: 15%) under the relevant PRC tax rules and regulations; and (2) one subsidiary of the Company which is incorporated in Horgos, Xinjiang Province, is exempted from income taxes from the first year of generating revenue before December 31, 2030 and the exemption period is five years according to the relevant PRC tax rules and regulations.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 EARNINGS/(LOSS) PER SHARE

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

(a) Basic

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

	For the year ended March 31,	
	2022	2021
Profit/(loss) attributable to owners of the Company (RMB'000)	**169,853**	(96,311)
Weighted average number of ordinary shares in issue less shares held for share award scheme (thousands)	**26,614,256**	26,605,014

(b) Diluted

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 EARNINGS/(LOSS) PER SHARE *(Continued)*

(b) Diluted *(Continued)*

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

(a) For the year ended March 31, 2022, the Group disposed Beijing Yue Kai Film & Television Media Limited Company, an associate of the Group, and the difference between the carrying value of approximately RMB121,900,000 and cash consideration of approximately RMB138,744,000 was recognized as "other gains/(losses), net" in the consolidated statement of profit or loss.

(b) When the most recently available financial statements of associates or joint ventures are different from the Group's reporting date, the Group may take advantage of the provision contained in HKAS 28 whereby it is permitted to include the attributable share of profit or loss of the associates or joint ventures based on the financial statements drawn up to a non-coterminous period end where the difference must be no greater than three months. Adjustments shall be made for the effects of significant transactions or events that occur between that date and the balance sheet date of the Group.

The financial year end date of the Group is March 31, which is different from those of the associates and joint ventures of the Group. The financial information of the Group's associates and joint ventures as at March 31, 2022 and 2021 are not available. As a result, the Group records its share of profit or loss of investments accounted for using the equity method on one quarter in arrear basis for the years ended March 31, 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

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

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

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

Nature of investment in associates and joint ventures as at March 31, 2022 and 2021:

Name of entity	**Place of business/ region of incorporation**	**% of ownership interest As at March 31, 2022**	**2021**
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%**	24.987%
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 上海築影投資管理諮詢有限公司	The PRC	**7.53%***	7.53%*
Shanghai Mingjian Limited 上海鳴澗影業有限公司	The PRC	**6.25%***	6.25%*

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, 2022	2021
Showtime Analytics Limited	Ireland	**10.60%***	14.70%*
Storyteller Holding Co., LLC	USA	**5%***	5%*
HeHe (Shanghai) Film Limited 禾和(上海)影業有限公司	The PRC	**30.00%**	30.00%
Wuhan Two Ten Culture Communication Limited 武漢兩點十分文化傳播有限公司	The PRC	**18.00%***	20.00%
Beijing Yue Kai Film & Television Media Limited 北京悦凱影視傳媒有限公司	The PRC	–	14.82%*
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%**
Sparkling Fish (Suzhou) Technology Co., Ltd. 閃閃魚(蘇州)科技有限公司	The PRC	**43.75%**	–
Oriental Wenyun (Beijing) Culture Technology Co. Ltd. 東方文韻(北京)文化科技有限公司	The PRC	**40.00%**	–

* *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, 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
For the year ended March 31, 2022				
Opening net book amount	**52,809**	**9,304**	**–**	**62,113**
Additions	**9,431**	**4,766**	**1,165**	**15,362**
Disposals	**–**	**(4,060)**	**(302)**	**(4,362)**
Disposal of subsidiaries	**(751)**	**(123)**	**–**	**(874)**
Depreciation charge	**(39,092)**	**(2,044)**	**(144)**	**(41,280)**
Impairment	**(7,607)**	**–**	**–**	**(7,607)**
Closing net book amount	**14,790**	**7,843**	**719**	**23,352**
At March 31, 2022				
Cost	**173,850**	**141,296**	**3,828**	**318,974**
Accumulated depreciation	**(126,118)**	**(131,893)**	**(3,109)**	**(261,120)**
Impairment	**(32,942)**	**(1,560)**	**–**	**(34,502)**
Net book amount	**14,790**	**7,843**	**719**	**23,352**

Note:

During the year ended March 31, 2022, depreciation charge of RMB41,280,000 (2021: RMB32,570,000) has been charged to 'Administrative expenses' and no depreciation charge (2021: RMB726,000) was charged to 'Selling and marketing expense'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 GOODWILL AND INTANGIBLE ASSETS

	Goodwill	Film and television programme production and distribution license	Operating license of the ticketing system	Customer relationship	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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
For the year ended March 31, 2022						
Opening net book amount	**3,551,116**	**7,808**	**99,611**	**12,030**	**7,012**	**3,677,577**
Additions	**–**	**–**	**–**	**–**	**1,173**	**1,173**
Amortization charge	**–**	**–**	**(10,867)**	**(1,775)**	**(1,316)**	**(13,958)**
Closing net book amount	**3,551,116**	**7,808**	**88,744**	**10,255**	**6,869**	**3,664,792**
At March 31, 2022						
Cost	**3,607,047**	**7,808**	**163,000**	**34,300**	**18,828**	**3,830,983**
Accumulated amortization and impairment	**(55,931)**	**–**	**(74,256)**	**(24,045)**	**(11,959)**	**(166,191)**
Net book amount	**3,551,116**	**7,808**	**88,744**	**10,255**	**6,869**	**3,664,792**

During the year ended March 31, 2022, amortization charge of RMB13,958,000 (2021: RMB14,808,000) 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 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, 2022 RMB'000
Goodwill	
– Technology	**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, 2021 RMB'000
Goodwill	
– Technology	2,837,458
– Content	463,751
– IP merchandising and commercialization	249,907
Intangible assets with indefinite useful life	
– Content	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, 2022 according to HKAS 36 "Impairment of assets". For the purposes of impairment review, the recoverable amount of the CGUs is determined based on VIU.

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, 2022 are summarized below:

	Technology	Content	IP merchandising and commercialization
Pre-tax discount rates	**21.5%~24.1%**	**22.3%~26.3%**	**26.7%**
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 revenue, 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, 2022, no impairment was recognized for the goodwill (2021: nil).

16 LEASE

(a) Amounts recognized in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at March 31, 2022 RMB'000	As at March 31, 2021 RMB'000
Right-of-use assets		
Buildings	**144,869**	235,208
Equipment	**3,174**	9,660
	148,043	244,868
Lease liabilities		
– Current	**30,639**	48,955
– Non-current	**137,231**	247,513
	167,870	296,468

Additions to the right-of-use assets for the year ended March 31, 2022 were RMB28,557,000.

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,	
	2022	2021
	RMB'000	RMB'000
Depreciation charge of right-of-use assets (Note 8)	**41,395**	32,392
Interest expense on lease liabilities (Note 10)	**11,553**	14,940
Rental expense for short-term and low-value leases (Note 8)	**660**	1,461

The total cash outflow for leases for the year ended March 31, 2022 was RMB49,546,000 (2021: RMB22,700,000).

(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 2 to 20 years.

17 INVESTMENT PROPERTY

	For the year ended March 31	
	2022	2021
	RMB'000	RMB'000
Opening net book amount	**22,562**	–
Additions	**–**	23,240
Depreciation charge	**(1,162)**	(678)
Closing net book amount	**21,400**	22,562
Cost	**23,240**	23,240
Accumulated depreciation	**(1,840)**	(678)
Net book amount	**21,400**	22,562

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,	
	2022	2021
	RMB'000	RMB'000
Non-current assets		
Unlisted investments	**1,272,547**	1,131,683
Listed investment	**45,138**	–
Current assets		
Investments in wealth management products	**–**	7,000
	1,317,685	1,138,683

(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,	
	2022	2021
	RMB'000	RMB'000
Fair value gain on investments in wealth management products (Note 3.3 and 7)	**75**	4,816
Fair value gain/(loss) on unlisted investments (Note 3.3 and 7)	**320,587**	(69,494)
Fair value loss on listed investment (Note 7)	**(121,012)**	–

(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,	
	2022	2021
	RMB'000	RMB'000
Film and TV rights		
– Production completed	**88,766**	142,532
– Production yet to be completed	**1,638,963**	1,078,953
	1,727,729	1,221,485
Film and TV investments, at fair value		
– Current	**13,000**	84,013
– Non-current	**204,067**	221,413
	217,067	305,426
	1,944,796	1,526,911

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 FILM AND TV RIGHTS AND INVESTMENTS *(Continued)*

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, 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
For the year ended March 31, 2022			
Opening net book amount	**1,221,485**	**305,426**	**1,526,911**
Additions	**2,135,101**	**13,000**	**2,148,101**
Recognized as an expense included in cost of sales and services	**(1,488,142)**	**–**	**(1,488,142)**
Change in fair value of film and TV investments	**–**	**79,192**	**79,192**
Impairment loss	**(53,974)**	**–**	**(53,974)**
Refund of investment	**(1,415)**	**–**	**(1,415)**
Disposal	**(81,952)**	**–**	**(81,952)**
Derecognition	**–**	**(178,414)**	**(178,414)**
Currency translation differences	**(3,374)**	**(2,137)**	**(5,511)**
Closing net book amount	**1,727,729**	**217,067**	**1,944,796**

During the year ended March 31, 2022, 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 RMB53,974,000 (2021: RMB24,159,000) 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,	
	2022	2021
	RMB'000	RMB'000
Financial assets		
Financial assets at amortized cost		
– Trade receivables (Note 21)	**1,674,738**	1,537,797
– Other receivables (excluding non-financial assets)	**1,240,048**	1,180,430
– Cash and cash equivalents (Note 23)	**3,538,214**	3,897,802
– Restricted cash (Note 23)	**18,677**	19,083
Film and TV investments, at fair value (Note 19)	**217,067**	305,426
Financial assets at fair value through profit or loss (Note 18)	**1,317,685**	1,138,683
	8,006,429	8,079,221
Financial liabilities		
Financial liabilities at amortized cost		
– Borrowings (Note 28)	**9,375**	30,000
– Trade and other payables (excluding non-financial liabilities)	**958,253**	1,090,285
– Lease liabilities (Note 16)	**167,870**	296,468
	1,135,498	1,416,753

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 TRADE AND OTHER RECEIVABLES, AND PREPAYMENTS

	As at March 31, 2022			As at March 31, 2021		
	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 34(b))	**1,170,109**	**–**	**1,170,109**	838,612	–	838,612
– Third parties	**652,250**	**–**	**652,250**	847,430	–	847,430
Less: allowance for impairment of trade receivables (Note 3.1)	**(147,621)**	**–**	**(147,621)**	(148,245)	–	(148,245)
Trade receivables – net	**1,674,738**	**–**	**1,674,738**	1,537,797	–	1,537,797
Prepaid film deposits (Note b)	**10,000**	**38,500**	**48,500**	40,000	10,000	50,000
Other prepayments	**83,922**	**–**	**83,922**	21,640	–	21,640
Other receivables arising from (Note c):						
– Receivables from related parties (Note 34(b))	**63,383**	**–**	**63,383**	62,537	–	62,537
– Loan receivables (Note d)	**126,769**	**700,000**	**826,769**	–	833,915	833,915
– Receivables in relation to other film and TV investments	**368,865**	**–**	**368,865**	331,104	–	331,104
– Receivables in respect of reimbursement of distribution expenses	**213,919**	**–**	**213,919**	171,417	–	171,417
– Deductible VAT input	**98,126**	**–**	**98,126**	73,698	–	73,698
– Interest income receivables	**80,328**	**–**	**80,328**	54,678	–	54,678
– Refund receivable in relation to the restructuring of an associate	**38,883**	**–**	**38,883**	38,883	–	38,883
– Deposits receivables	**17,436**	**–**	**17,436**	11,986	–	11,986
– Receivables in respect of reimbursement of movie tickets refund	**–**	**–**	**–**	9,193	–	9,193
– Others	**111,720**	**20,489**	**132,209**	105,157	7,932	113,089
Less: allowance for impairment of prepayments and other receivables (Note 3.1)	**(341,744)**	**(160,000)**	**(501,744)**	(286,372)	(160,000)	(446,372)
Other receivables and prepayments – net	**871,607**	**598,989**	**1,470,596**	633,921	691,847	1,325,768
Total trade and other receivables, and prepayments	**2,546,345**	**598,989**	**3,145,334**	2,171,718	691,847	2,863,565

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 TRADE AND OTHER RECEIVABLES, AND PREPAYMENTS *(Continued)*

The fair values of the current portion of trade and other receivables approximate their carrying value.

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,	
	2022	2021
	RMB'000	RMB'000
0 – 90 days	**891,276**	770,424
91 – 180 days	**243,470**	420,304
181 – 365 days	**143,960**	16,844
Over 365 days	**543,653**	478,470
	1,822,359	1,686,042

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, 2022 represented the prepayments made by the Group to Mr. Wong Kar Wai pursuant to film rights purchase agreement, Mr Xu Hong Yu and Mr Zhang Yi Bai pursuant to their respective film cooperation agreements.

(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 2 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 TRADE AND OTHER RECEIVABLES, AND PREPAYMENTS *(Continued)*

Notes: *(Continued)*

(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. As at March 31, 2022, the loan receivable was reclassified to current assets.

22 INVENTORIES

	As at March 31,	
	2022	2021
	RMB'000	RMB'000
Merchandise	**17,831**	–

The cost of goods recognized as cost of sales amounted to approximately RMB56,975,000 for the year ended 31 March 2022 (2021: nil).

23 CASH AND BANK BALANCE

(a) Cash and cash equivalents

	As at March 31,	
	2022	2021
	RMB'000	RMB'000
Cash and deposits at banks and other financial institution	**3,538,214**	3,897,802

As at March 31, 2022, the Group had placed deposits amounted to RMB226,884,000 (2021: RMB251,618,000) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 CASH AND BANK BALANCE *(Continued)*

(b) Restricted cash

	As at March 31,	
	2022	2021
	RMB'000	RMB'000
Restricted cash	**18,677**	19,083

As at March 31, 2022, restricted cash of RMB18,677,000 (2021: RMB19,083,000) was pledged as securities for issuance of letter of credit.

(c) Currency denomination

	As at March 31,	
	2022	2021
	RMB'000	RMB'000
RMB	**2,498,633**	2,582,950
US$	**996,544**	1,250,337
HK$	**61,714**	83,598
	3,556,891	3,916,885

24 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, 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
Exercise of share options under share option scheme	**1,840,200**	**460**	**382**
Issuance of shares under share award scheme	**138,953,746**	**34,738**	**28,071**
At March 31, 2022	**26,975,740,156**	**6,743,935**	**5,452,976**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 SHARE-BASED PAYMENT

During the years ended March 31, 2022 and 2021, share-based payment expenses recognized in the consolidated statement of profit or loss included:

	For the year ended March 31,	
	2022	2021
	RMB'000	RMB'000
Share-based payment under the 2012 Share Option Scheme and Share Award Scheme	**146,891**	142,042

(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 has been terminated, and the 2021 share option scheme has been adopted, on September 6, 2021. All outstanding options granted under the 2012 Share Option Scheme remain valid upon expiry of the 2012 Share Option Scheme.

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, 2022 are as below:

Grant date	**Exercise price HK$**	**Fair value RMB'000**
June 16, 2021	**1.066**	**6,506**

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, 2022 is a service time and the vesting period ranges from 4 to 6 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 SHARE-BASED PAYMENT *(Continued)*

(a) The 2012 share option scheme *(Continued)*

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, 2022		For the year ended March 31, 2021	
	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	**1.236**	**261,538,100**	1.288	231,197,500
Granted	**1.066**	**16,725,000**	1.092	92,447,400
Exercised	**1.022**	**(1,840,200)**	0.963	(12,931,000)
Lapsed	**1.275**	**(36,637,300)**	1.280	(49,175,800)
At ending of the year	**1.220**	**239,785,600**	1.236	261,538,100

Out of the 239,785,600 outstanding share options, 117,783,400 shares are exercisable as at March 31, 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 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, 2022	2021
January 28, 2015	January 27, 2025	**1.670**	**600,000**	600,000
April 13, 2016	April 12, 2026	**1.880**	**5,200,000**	5,200,000
June 3, 2016	June 2, 2026	**1.860**	**450,000**	5,700,000
December 24, 2017	December 23, 2027	**1.276**	**6,200,000**	600,000
January 18, 2018	January 17, 2028	**1.060**	**1,200,000**	6,200,000
May 21, 2018	May 20, 2028	**0.912**	**42,700,000**	1,200,000
September 26, 2018	September 25, 2028	**1.020**	**20,799,000**	47,470,000
May 31, 2019	May 30, 2029	**1.630**	**51,001,000**	25,549,000
September 23, 2019	September 22, 2029	**1.340**	**14,350,000**	54,344,500
January 15, 2020	January 14, 2030	**1.460**	**10,000,000**	18,650,000
June 5, 2020	June 4, 2030	**1.070**	**55,860,600**	11,100,000
September 11, 2020	September 10, 2030	**1.144**	**16,800,000**	60,424,600
June 11, 2021	June 10, 2031	**1.066**	**14,625,000**	24,500,000
			239,785,600	261,538,100

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, 2022 had a weighted average remaining contractual life of 7 years (2021: 8 years).

The weighted average fair value of options granted during the period determined using the Binomial Model was HK$0.472 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$1.06 at the grant date, exercise price shown above, volatility of 45.39%, zero expected dividend yield, a contractual option life of 10 years, and an annual risk-free interest rate of 1.55%. 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, 2022, the Group recognized an expense of RMB21,619,000 (2021: an expense of RMB28,036,000) 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

25 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, 2022, the remaining life of the Share Award Scheme was approximately 10 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

25 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, 2022		For the year ended March 31, 2021	
	Weighted average exercise price in HK$ per share	**Number of awarded shares**	Weighted average exercise price in HK$ per share	Number of awarded shares
At beginning of the year	**1.319**	**292,369,426**	1.360	291,164,800
Granted (Note)	**1.024**	**173,223,746**	1.081	165,041,100
Vested	**1.247**	**(94,217,675)**	1.073	(93,566,424)
Lapsed	**1.165**	**(66,300,246)**	1.260	(70,270,050)
At ending of the year	**1.207**	**305,075,251**	1.319	292,369,426

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, 2022, 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 RMB125,272,000 during the year ended March 31, 2022 (2021: RMB114,006,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 OTHER RESERVES

As at March 31, 2022, the Group's retained earnings included PRC subsidiaries' statutory surplus reserve of RMB51,564,000(2021: 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

27 TRADE AND OTHER PAYABLES, AND ACCRUED CHARGES

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

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

27 TRADE AND OTHER PAYABLES, AND ACCRUED CHARGES *(Continued)*

Note:

(a) Trade payables

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

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

28 BORROWINGS

	As at March 31,	
	2022	2021
	RMB'000	RMB'000
Current	**9,375**	15,000
Non-Current	**–**	15,000
	9,375	30,000

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

	As at March 31,	
	2022	2021
	RMB'000	RMB'000
Within 1 year	**9,375**	15,000
Between 1 and 2 years	**–**	15,000
	9,375	30,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 BORROWINGS *(Continued)*

The analysis of movements in borrowings is as follows:

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

Notes:

(a) As at March 31, 2022, the RMB-denominated borrowings were secured by fixed assets with carrying amounts of approximately RMB9,247,000 (2021: RMB15,706,000).

(b) The fair values of current and non-current borrowings approximate their carrying amounts, as the impact of discounting is not significant.

29 DEFERRED INCOME TAX

The analysis of deferred income tax liabilities is as follows:

	As at March 31,	
	2022 RMB'000	2021 RMB'000
Deferred tax assets	**13,401**	11,453
Deferred tax liabilities	**(49,302)**	(62,657)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 DEFERRED INCOME TAX *(Continued)*

The movements in deferred income tax assets during the years ended March 31, 2022 and 2021 are as follows:

	Provision RMB'000
At April 1, 2020	13,054
Charged to the consolidated statement of profit or loss	(1,601)
At March 31, 2021	11,453
At April 1, 2021	**11,453**
Credit to the consolidated statement of profit or loss	**1,948**
At March 31, 2022	**13,401**

The movements in deferred income tax liabilities during the years ended March 31, 2022 and 2021 are as follows:

	Fair value change RMB'000
At April 1, 2020	(70,216)
Credited to the consolidated statement of profit or loss	7,559
At March 31, 2021	(62,657)
At April 1, 2021	**(62,657)**
Credited to the consolidated statement of profit or loss	**13,355**
At March 31, 2022	**(49,302)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 DEFERRED INCOME TAX *(Continued)*

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, 2022, the Group had tax losses of RMB3,303,454,000 (2021: RMB3,751,513,000) 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 RMB2,786,487,000 will expire through year 2022 to 2029 (2021: RMB3,339,458,000 will expire through year 2021 to 2028), and an amount of RMB516,967,000 (2021: RMB412,055,000) has no expiry date.

30 DIVIDEND

The Board of Directors of the Company has resolved not to recommend the payment of a dividend for the year ended March 31, 2022 (2021: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 CASH USED IN OPERATIONS

(a) Cash used in operations

	For the year ended March 31,	
	2022	2021
	RMB'000	RMB'000
Profit/(loss) before income tax	**128,902**	(117,987)
– Depreciation of PPE and Right-of-use assets	**82,675**	65,688
– Depreciation of investment properties	**1,162**	678
– Amortization of intangible assets	**13,958**	14,808
– Provision for impairment of film and TV copyrights	**53,974**	24,159
– Impairment losses of trade and other receivables	**176,150**	143,844
– Loss on disposal of property, plant and equipment	**565**	202
– Trade and other payables written off	**(6,670)**	–
– Dividend income	**(59,890)**	–
– Gains on COVID-19 rent concessions	**(743)**	(5,283)
– Gains on disposal of subsidiaries	**(27,236)**	–
– Share of loss of and gain on dilution of investments accounted for using the equity method	**10,749**	3,751
– (Gain)/loss on disposal of an associate	**(16,844)**	11,167
– Provision for impairment of investments accounted for using the equity method	**218,850**	90,254
– Change in fair value of film and TV investments, recognized in other (gains)/losses, net	**(79,192)**	20,841
– Change in fair value of investment in wealth management products	**(75)**	(4,816)
– Change in fair value of unlisted investments	**(320,587)**	69,494
– Change in fair value of listed investment	**121,012**	–
– Interest income on loan receivables	**(28,239)**	(33,803)
– Losses from debt restructuring	**–**	4,000
– Finance income, net	**(79,285)**	(83,546)
– Change in share-based compensation reserve under share option scheme and share award scheme	**146,891**	142,042
– Provision for impairment of property, plant and equipment	**7,607**	–
Changes in working capital:		
– Trade and other receivables, and prepayments	**(439,415)**	(528,606)
– Film and TV rights and investments	**(398,178)**	230,693
– Contract liabilities	**125,048**	(70,642)
– Trade and other payables, and accrued charges	**(122,688)**	291,578
– Inventories	**(17,831)**	–
Cash (used in)/generated from operations	**(509,330)**	268,516

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 CASH USED IN OPERATIONS *(Continued)*

(b) Net cash reconciliation

An analysis of net cash as at March 31, 2022 and 2021 is as follows:

	As at March 31, 2022 RMB'000	As at March 31, 2021 RMB'000
Net cash		
Cash and cash equivalents	**3,538,214**	3,897,802
Investment in wealth management products	**–**	7,000
Lease liabilities – repayable within one year	**(30,639)**	(48,955)
Lease liabilities – repayable after one year	**(137,231)**	(247,513)
Borrowings – repayable within one year	**(9,375)**	(15,000)
Borrowings – repayable after one year	**–**	(15,000)
Net cash	**3,360,969**	3,578,334
Cash and liquid investments	**3,538,214**	3,904,802
Gross debt – fixed interest rates	**(167,870)**	(296,468)
Gross debt – variable interest rates	**(9,375)**	(30,000)
Net cash	**3,360,969**	3,578,334

Movements in net cash for the years ended March 31, 2022 and 2021 are as follows:

	Other assets			Liabilities from financing activities		
	Cash and cash equivalents	Investment in wealth management products	Bank deposits with the maturity over three months	Lease liabilities	Borrowing	Total
Net cash as at April 1, 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
Cash flows	**(316,078)**	**(7,075)**	**–**	**48,886**	**20,625**	**(253,642)**
Foreign exchange adjustments	**(43,510)**	**–**	**–**	**–**	**–**	**(43,510)**
Other changes	**–**	**75**	**–**	**79,712**	**–**	**79,787**
Net cash as at March 31, 2022	**3,538,214**	**–**	**–**	**(167,870)**	**(9,375)**	**3,360,969**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 COMMITMENTS

As at March 31, 2022, capital expenditure contracted for but not yet incurred by the Group amounted to approximately RMB474,846,000 with respect to investments in certain film and TV rights.

33 DISPOSAL OF SUBSIDIARIES

In October 2021, a subsidiary of the Group, Nanjing Pairui Cinema Management Co., Ltd. ("Nanjing Pairui"), entered into a sale and purchase agreement with its minority shareholders, pursuant to which the Group would dispose of 100% equity interests in four subsidiaries under Nanjing Pairui, for a consideration of RMB0. The transaction was completed in October, 2021.

	Year ended March 31, 2022 RMB'000
Disposals consideration	
Cash consideration received	–
Less:	
Total net liabilities of subsidiaries disposed of	27,236
Gains on disposals subsidiaries (Note 7)	27,236
Cash proceeds from disposals, net of cash disposed of	
Cash consideration received	–
Less: cash and cash equivalents in the subsidiaries disposed of	(166)
Net cash outflow for disposal of subsidiaries	(166)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 RELATED PARTY TRANSACTIONS

As at March 31, 2022, the Company was 50.0007% owned by Ali CV. 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,	
	2022	2021
	RMB'000	RMB'000
Sales of film and TV rights to AGH's subsidiaries (Note i)	**791,899**	548,409
Provision of services to AGH's subsidiaries (Note i)	**248,083**	200,174
Purchase of services from AGH's subsidiaries (Note i)	**92,504**	112,562
Provision of services to associates	**61,754**	7,000
Purchase of services from related companies of AGH (Note i)	**40,920**	37,465
Sales of film and TV rights to an associate	**3,000**	–
Purchase of film and TV rights from AGH's subsidiaries (Note i)	**943**	–
Provision of services to related companies of AGH (Note i)	**–**	189

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, 2022, 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

34 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balances due from related parties

As at March 31, 2022, balances due from related parties comprised:

	As at March 31,	
	2022	2021
	RMB'000	RMB'000
Trade receivables		
Amounts due from AGH's subsidiaries	**849,899**	662,630
Amounts due from associates	**317,888**	166,883
Amounts due from related companies of AGH	**2,322**	9,099
Other receivables		
Amounts due from associates and joint venture	**60,591**	60,591
Amounts due from AGH's subsidiaries	**2,674**	1,788
Amounts due from related companies of AGH	**118**	158

Amounts due from related parties are unsecured, non-interest bearing and due in accordance with the terms of the underlying agreements.

(c) Balances due to related parties

As at March 31, 2022, balances due to related parties comprised:

	As at March 31,	
	2022	2021
	RMB'000	RMB'000
Trade payables		
Amounts due to a related company of AGH	**60,169**	21,459
Amounts due to AGH's subsidiaries	**13,490**	9,432
Amounts due to associates	**3,416**	3,416
Other payables		
Amounts due to AGH's subsidiaries	**57,918**	75,626
Amounts due to associates	**4,126**	4,685
Amounts due to related companies of AGH	**1,710**	118

The balances due to related parties are unsecured, non-interest bearing and due in accordance with the terms of the underlying agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 RELATED PARTY TRANSACTIONS *(Continued)*

(d) Loans to related parties

	As at March 31,	
	2022	2021
	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,	
	2022	2021
	RMB'000	RMB'000
Salaries, allowances and other benefits	**3,079**	8,793
Share-based payments	**7,960**	11,840
	11,039	20,633

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company

	As at March 31,	
	2022	2021
	RMB'000	RMB'000
Assets		
Non-current assets		
Intangible assets	**200**	200
Investments in subsidiaries	**19,700,722**	19,562,128
	19,700,922	19,562,328
Current assets		
Cash and cash equivalents	**32,018**	51,720
	32,018	51,720
Total assets	**19,732,940**	19,614,048
Equity and liabilities		
Equity attributable to owners of the Company		
Share capital	**5,452,976**	5,424,523
Reserves	**14,276,713**	14,186,154
Total equity	**19,729,689**	19,610,677
Current liabilities		
Trade and other payables, and accrued charges	**3,251**	3,371
Total liabilities	**3,251**	3,371
Total equity and liabilities	**19,732,940**	19,614,048

The balance sheet of the Company was approved by the Board of Directors on June 1, 2022 and was signed on its behalf by:

Fan Luyuan
Executive Director & Chairman

Meng Jun
Executive Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 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 RMB'000	Total RMB'000
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
At April 1, 2021	**13,371,892**	**863**	**(264,317)**	**61,486**	**321,788**	**694,442**	**14,186,154**
Exercise of share options under share option scheme	**1,973**	**–**	**–**	**–**	**(794)**	**–**	**1,179**
Issuance of shares under share award scheme	**49,406**	**–**	**(77,477)**	**–**	**–**	**–**	**(28,071)**
Shares purchased for share award scheme	**–**	**–**	**(9,489)**	**–**	**–**	**–**	**(9,489)**
Shares vested under share award scheme	**–**	**–**	**117,526**	**–**	**(117,526)**	**–**	**–**
Value of employee services provided under share option scheme and share award scheme	**–**	**–**	**–**	**–**	**146,891**	**–**	**146,891**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(19,951)**	**(19,951)**
At March 31, 2022	**13,423,271**	**863**	**(233,757)**	**61,486**	**350,359**	**674,491**	**14,276,713**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 SUBSIDIARIES

(a) The following is a list of the principal subsidiaries at March 31, 2022:

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
				2022	2021	**2022**	2021	
				(%)	(%)	**(%)**	(%)	
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) (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
Alibaba Shouquanbao (Tianjin) Culture Communication Co., Ltd. (阿里巴巴授權寶(天津)文化傳播有限公司) (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB7,500,000	**–**	–	**–**	–	Advertising and sale of entertainment related merchandise and derivatives

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 SUBSIDIARIES *(Continued)*

(a) The following is a list of the principal subsidiaries at March 31, 2022: *(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
				2022 (%)	2021 (%)	**2022 (%)**	2021 (%)	
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 Microcosmic 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 (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB1,000,000	**60**	60	**40**	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
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)	PRC/Sino foreign cooperative	PRC	Registered Capital US$193,191,909	**96.7**	96.7	**3.3**	3.3	Online movie ticketing agent

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 SUBSIDIARIES *(Continued)*

(a) The following is a list of the principal subsidiaries at March 31, 2022: *(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
				2022 (%)	2021 (%)	**2022 (%)**	2021 (%)	
Hangzhou Xingji Movie&TV Culture Co., Ltd. 杭州星際影視文化有限公司	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
Beijing Blue Sky 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

36 SUBSIDIARIES *(Continued)*

(a) The following is a list of the principal subsidiaries at March 31, 2022: *(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 2022 (%)	2021 (%)	Proportion of equity interests held by non-controlling interests 2022 (%)	2021 (%)	Principal activities
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 (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB10,000,000	**100**	100	**–**	–	Technical development, technical consultation
Alibaba Pictures (Beijing) Co., Ltd. 阿里巴巴影業(北京)有限公司 (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB30,000,000	**100**	100	**–**	–	Investment in and production and distribution of film & TV rights
Aliyu (Tianjin) Culture Communication Co., Ltd. 阿鯉魚(天津)文化傳播有限公司 (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB1,000,000	**100**	100	**–**	–	IP-related products
Tianjin Duanhenaqu Technology Co., Ltd. 天津端盒拿趣科技有限公司 (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB10,000,000	**100**	100	**–**	–	Sale of pop toys

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 SUBSIDIARIES *(Continued)*

(b) Material non-controlling interests

The total non-controlling interests as at March 31, 2022 amounted to RMB25,895,000 (2021: RMB51,617,000). No subsidiary has non-controlling interests that are material to the Group.

37 BENEFITS 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, 2022 is set out below:

	Fees RMB'000	Salary (Note vi) RMB'000	Discretionary bonuses RMB'000	Share-based compensation (Note vii) RMB'000	Allowances and benefits in kind (Note ix) 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)	–	–	–	2,082	–	–	–	2,082
Mr. Meng Jun (Note ii)	–	–	–	567	–	–	–	567
Mr. Li Jie (Note iii)	–	1,765	1,200	5,661	19	39	56	8,740
Non-Executive Directors								
Mr. Xu Hong (Note iv)	–	–	–	–	–	–	–	–
Mr. Liu Zheng (Note v)	–	–	–	–	–	–	–	–
Independent non-executive Directors								
Ms. Song Lixin (Note viii)	227	–	–	–	–	–	–	227
Mr. Tong Xiaomeng (Note viii)	276	–	–	–	–	–	–	276
Mr. Johnny Chen (Note viii)	243	–	–	–	–	–	–	243
	746	1,765	1,200	8,310	19	39	56	12,135

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' and chief executives' emoluments *(Continued)*

The remuneration of Directors and the chief executive of the Company for the year ended March 31, 2021 is set out below:

Name	Fees RMB'000	Salary (Note vi) RMB'000	Discretionary bonuses RMB'000	Share-based compensation (Note vii) RMB'000	Allowances and benefits in kind (Note ix) 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
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	–	–	–	–	–	–	–	–
Independent non-executive Directors								
Ms. Song Lixin (Note viii)	245	–	–	–	–	–	–	245
Mr. Tong Xiaomeng (Note viii)	297	–	–	–	–	–	–	297
Mr. Johnny Chen (Note viii)	262	–	–	–	–	–	–	262
	804	1,355	924	4,752	11	34	58	7,938

Notes:

(i) Except for the share-based compensation, the remaining emoluments of Mr. Fan Luyuan were paid by Alibaba Group.

(ii) 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 and resigned on October 18, 2021. The emoluments of Mr. Xu Hong which were not included in director's emoluments were paid by Alibaba Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

Notes: *(Continued)*

(v) Mr. Liu Zheng was appointed as non-executive director on October 18, 2021. The emoluments of Mr. Liu Zheng which were not included in director's emoluments were paid by Alibaba Group.

(vi) 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.

(vii) The values of share-based compensation are based on the share based compensation recognized for the year.

(viii) During the year ended March 31, 2022, 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.

(ix) 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, 2022 (2021: nil).

(b) Directors' retirement benefits

The retirement benefits paid to Mr. Li Jie during the year ended March 31, 2022 by a defined benefit pension plan operated by the Group in respect of Mr. Li Jie's services in connection with the management of the affairs of the Company and its subsidiaries undertaking is RMB39,000 (2021: RMB34,000). No other retirement benefits were paid to Mr. Li Jie in respect of Mr. Li Jie's other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2021: same).

(c) Directors' termination benefits

No payment was made to directors as compensation for early termination of the appointment during the year ended March 31, 2022 (2021: 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, 2022 (2021: 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, 2022 (2021: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(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 year or at any time during the year ended March 31, 2022 (2021: nil).

(g) Directors' emoluments

The remuneration of Directors is set out below:

For the year ended March 31, 2022

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**
746	**11,389**	**12,135**

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

38 IMPACT OF COVID-19

During the year ended March 31, 2022, the Group closely monitored the status of the COVID-19 Pandemic and taking safeguards to maintain profitability including reinforcing the diversification of business activities. Since mid-March 2022, the COVID-19 pandemic resurgence in China has been posing challenges to the entertainment industry and downward pressures on the economic activities. The Group will perform further assessment of its impact and take relevant measures.

FINANCIAL SUMMARY

RESULTS

	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	**2022 RMB'000**
Continuing operations					
Revenue	3,302,783	3,033,844	2,874,694	2,858,897	**3,652,170**
(Loss)/profit before income tax	(1,759,647)	(280,887)	(1,136,616)	(117,987)	**128,902**
Income tax (expense)/credit	(35,313)	(15,063)	(29,200)	802	**25,413**
(Loss)/profit for the period/year from continuing operations	(1,794,960)	(295,950)	(1,165,816)	(117,185)	**154,315**
(Loss)/profit attributable to:					
Owners of the Company	(1,658,647)	(253,570)	(1,150,570)	(96,311)	**169,853**
Non-controlling interests	(136,313)	(42,380)	(15,246)	(20,874)	**(15,538)**
	(1,794,960)	(295,950)	(1,165,816)	(117,185)	**154,315**

ASSETS AND LIABILITIES

	As at March 31, 2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	**2022 RMB'000**
Total assets	14,982,583	16,617,783	15,847,879	15,540,882	**15,576,698**
Total liabilities	(885,684)	(1,665,558)	(1,871,409)	(1,702,944)	**(1,533,696)**
Total equity	14,096,899	14,952,195	13,976,470	13,837,938	**14,043,002**
Non-controlling interest	(120,202)	(95,752)	(78,094)	(51,617)	**(25,895)**
Equity attributable to owners of the Company	13,976,697	14,856,443	13,898,376	13,786,321	**14,017,107**