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

2018/19 ANNUAL REPORT

Stock Code:1060

This Annual Report is printed on environmentally friendly paper

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

Ms. Zhang Yu
Mr. Chang Yang

Independent Non-Executive Directors

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

EXECUTIVE COMMITTEE

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

REMUNERATION COMMITTEE

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Ng Lok Ming, William

AUDITOR

PricewaterhouseCoopers

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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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building, 69 Pitts Bay Road
Pembroke HM08, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

SINGAPORE SHARE TRANSFER AGENT

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place, #32-01 Singapore Land Tower
Singapore 048623

STOCK CODE

Stock Code on The Stock Exchange of Hong Kong Limited: 1060
Stock Code on the Singapore Exchange Securities Trading Limited: S91

CHAIRMAN'S STATEMENT

Dear Shareholders,

The time has come for Alibaba Pictures Group Limited (the "Company" or "Alibaba Pictures", together with its subsidiaries, the "Group") to celebrate its fifth anniversary. During the past year, as the Company aimed to "build new infrastructures that serve the entire industry chain and create influential contents with positive values", it dedicated itself to leveraging its unique advantage derived from the entire industry chain and all ecosystems within, thereby unifying upstream and downstream operations, as well as online and offline channels throughout the industry chain with its strengths in relevant data and ecosystems. By releasing the potential of each link and redefining the film industry, we managed to inspire greater overall growths for the market.

Looking back at 2018, aggregate box office of films released in the PRC exceeded RMB60 billion. It is our humble opinion that as long as we can supply an adequate number of quality contents to the market while creating new scenarios and improving efficiency via infrastructure, we will be able to further our accomplishment through the creation of a pan-film market worth over RMB200 billion and the expansion of a single revenue stream of box office operations to diverse revenue streams by redefining business models adopted in the marketplace.

"Making it easy to do business anywhere" is not just an enduring mission for Alibaba Group Holding Limited ("AGH") and its subsidiaries (collectively, "Alibaba Group"), it is also the mission and vision that they share with Alibaba Pictures. Driven by this conviction, we have built a business model for operations throughout the entire industry chain, covering the production, promotion and distribution, and commercialization of contents, as well as financial services. We are now engaged in three major business segments, namely content production, internet-based promotion and distribution and integrated development.

In terms of content production, we rely on our unique advantage in big data analysis, using data to drive and empower content development, which has in turn enabled us to be acutely aware of the changes in audience preference, and to develop productions that cater to current market needs. Alibaba Pictures was deeply involved in the success of several phenomenal films with outstanding critical acclaim and box office, including *The Wandering Earth* (流浪地球), *Green Book* (綠簿旅友 or 綠皮書 (the translated title in the PRC)), *Dying to Survive* (我不是藥神) and *Hello Mr. Billionaire* (西虹市首富). During the past financial year, films that we presented delivered box office of nearly RMB20 billion, making us one of the preferred partners for companies engaged in film and TV operations. In this spirit, film and TV content production will become one of our strategic focuses in the future.

We also launched the Jin Cheng Co-production Project (錦橙合製計劃) at the end of 2018. Under this project, we plan to support talented young directors by launching 20 high-quality co-produced films in the four major film seasons over the next five years as the lead investor, lead producer or lead promoter/distributor through collaboration with top-tier production companies. Low-budget films with major emotional appeals that promote positive values will therefore become our top priority for content production.

In terms of the construction of new infrastructure, Tao Piao Piao (the Group's online ticketing platform) managed to further strengthen its position as a market leader. In addition to serving as our ticketing and review platform for consumers, Tao Piao Piao is also a foothold for our endeavor in digital promotion and distribution. More importantly, it is the portal through which we share resources with Alibaba Group's ecosystem.

CHAIRMAN'S STATEMENT

As our one-stop platform for promotional, distribution and marketing activities, Beacon collects data from multiple channels and provides data analysis services, supporting smart marketing campaigns and assisting in relevant performance review. As at the date of this report, we have served 171 film projects and 295 companies engaged in film-related operations, managing to help our customers save promotion and distribution budget.

By linking online services with offline experience, Yunzhi, our "new retail" marketing platform for cinemas, aims to help them reduce cost, enhance efficiency, grow revenue and increase empowerment. Yunzhi has already formed partnership with nearly 3,500 cinemas in the PRC, ranking first among peers in terms of the number of contracted cinemas.

In terms of our integrated development business, Alifish, our business for IP commercialization, has successfully established a unique trading platform for IPs by building on the economic fundamentals of its large fan base in the PRC. As at the date of this report, Alifish has been successfully connected to over 200 IPs, more than 100,000 merchants, and over 600 million consumers who identify themselves as fans of such IPs.

We established Yulebao to address the inhibition of long payback period in the film and TV industry. Yulebao has optimized relevant processes for box office payback, managing to shorten the time required for settlement from the conventional cycle of between three and twelve months to less than ten days. This has enhanced the turnover of capital within the film industry, while creating a settlement platform for film distributors and investors to gain equal and fast access to their shares of film box office receipts.

Furthermore, we also launched Yunshang, a production management system designed for film and TV production. By enabling the effective management of all procedures involved in film production, we aimed to digitize, bring online and smartize most of the current work involved in film and TV production. Following a development phase that lasted for over a year, we recently launched a beta version of this system and offered it to nearly 30 film crews from top producers.

Alibaba Pictures has become a consolidated subsidiary of AGH since March 5, 2019, a testimony to the faith that Alibaba Group has in the Company. Going forward, Alibaba Pictures will further expand its partnership with other media content and entertainment operations under Alibaba Group, including platforms such as Youku, Damai and Alibaba Literature, while leveraging on the strengths of Alibaba Group in big data and e-commerce to secure greater growth potential in the Chinese film industry.

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

Fan Luyuan
Chairman & Chief Executive Officer

Hong Kong, May 28, 2019

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

During the twelve months ended March 31, 2019 (the "Reporting Period"), the Group's business grew steadily with a significant reduction in operating loss and net loss. During the Reporting Period, the Group recorded revenue of RMB3,034 million, compared with RMB2,775 million for the twelve months ended March 31, 2018 (the "Previous Period"), representing a growth of 9%. Operating loss narrowed from RMB1,160 million in the Previous Period to RMB497 million for the Reporting Period, representing a reduction of RMB663 million year-over-year. Net loss attributable to the owners of the company narrowed from RMB1,245 million in the Previous Period to RMB254 million for the Reporting Period, representing a significant reduction of RMB991 million year-over-year. For comparison purposes, major indicators of financial results for the Reporting Period and the Previous Period are summarized in the tables below:

	For the twelve months ended March 31, 2019 RMB'000	For the twelve months ended March 31, 2018 RMB'000 (unaudited)
Revenue	**3,033,844**	2,775,441
Gross profit	**1,766,163**	1,926,852
Selling and marketing expenses	**(1,579,233)**	(2,528,256)
Administrative expenses	**(896,785)**	(794,540)
Operating loss	**(496,996)**	(1,159,584)
Finance income/(expenses), net	**232,064**	(164,443)
Share of loss of and gain on dilution of investments accounted for using the equity method	**(15,955)**	37,279
Income tax expense	**(15,063)**	(27,611)
Loss attributable to owners of the Company	**(253,570)**	(1,244,714)

	Segment revenue Twelve months ended March 31		**Segment results Twelve months ended March 31**	
	2019 RMB'000	2018 RMB'000 (unaudited)	**2019 RMB'000**	2018 RMB'000 (unaudited)
Internet-based promotion and distribution	**2,463,642**	2,178,517	**387,761**	(598,352)
Content production	**458,875**	556,354	**(221,083)**	5,761
Integrated development	**111,327**	40,570	**67,337**	32,076
Total	**3,033,844**	2,775,441	**234,015**	(560,515)

MANAGEMENT DISCUSSION AND ANALYSIS

INTERNET-BASED PROMOTION AND DISTRIBUTION

In terms of revenue, internet-based promotion and distribution is currently the Group's most important segment. Its main operations consist of internet-based ticketing and internet-based promotion and distribution. While internet-based ticketing comprises Tao Piao Piao and Yunzhi, internet-based promotion and distribution comprises Beacon, film promotion and distribution, and content co-investment.

Not only is Tao Piao Piao the Group's ticketing and review platform that targets common consumers, it is also one of the key platforms through which it provides ticketing services to cinemas. Building on the vast user base already accumulated and its interaction with them, Tao Piao Piao further consolidated its market share and delivered steady growth during the Reporting Period, making itself one of the largest ticketing and review platforms in the PRC. Further, Tao Piao Piao also represents a foothold for the Group's endeavor in digital promotion and distribution. By fully utilizing its advantages in platform-based resources, Tao Piao Piao concentrates on film promotion with a focus on premium contents to help extend the reach of films to potential audience. Tao Piao Piao has now become one of the preferred partners for promotion and distribution among domestic and international film producers.

Yunzhi, the Group's open platform of digital operation and management targeting cinemas, has developed a comprehensive portfolio of cloud-based smart solutions for its cinema users using new technologies and new retail methods. By linking online services with offline experience, Yunzhi helps cinemas reduce cost, enhance efficiency, grow revenue and increase empowerment. As at the date of this report, Yunzhi (in aggregate with another cinema ticketing system to which it is connected) already formed partnership with nearly 3,500 cinemas in the PRC, ranking first among peers in terms of the number of contracted cinemas. Further, the Group also officially launched its three "100 Plans" targeting cinemas in April 2019, under which Yunzhi will supply 100 super showrooms, 100 cashier-free supermarkets and 100 automated vending machines to cinemas nationwide, with a view to helping cinemas explore new business modes and create never-seen-before consumption scenarios in retail for the benefits of their users.

In order to improve the efficiency in film promotion and distribution, while enabling effective yet accurate resource allocation for such purposes, the Group launched Beacon – its one-stop digital promotion and distribution platform – in April 2018, providing content producers with data, strategies, channels and solutions. As at the date of this report, Beacon served 171 film projects and 295 companies engaged in film-related operations; it had 82 partners for advertising placement and 810,000 new media accounts. Building on its capacity to reach 650 million users on a daily basis and preview services that cover 75 million users, Beacon has helped its customers save on promotion and distribution budget.

While Beacon continues to release reports on Mainland China's film market and industry, Beacon Professional has become one of the key channels to stay updated with the latest trend in films from this region, as it provides multi-dimensional industry information and analysis, including, among others, real-time box office data (updated every second), screening and attendance statistics, as well as Youku's share of box office through online screening.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group analyzes its users' viewing habits, together with the comments and ratings that they give based on its accumulated advantage in big data. Relying on its insight about the classification of audience for film and TV productions and their preferences, the Group actively seeks and participates in the production of films featuring quality content. During the Reporting Period, the Group co-produced several popular films, recording an aggregated box office of nearly RMB20 billion from films that it produced/co-produced and distributed. Among these, six films recorded box office of over RMB1 billion, including *The Wandering Earth* (流浪地球) (box-office champion of the 2019 Chinese New Year holiday), *Dying to Survive* (我不是藥神), *Hello Mr. Billionaire* (西虹市首富) (two of the highest grossing films of the 2018 summer school holidays) and *Project Gutenberg* (無雙) (box-office champion of the 2018 National Day holiday), which grossed RMB4.6 billion, RMB3.1 billion, RMB2.5 billion and RMB1.3 billion, respectively. In addition, *Green Book* (綠簿旅友 or 綠皮書 (the translated title in the PRC)), a film co-produced by Alibaba Pictures and distributed by Huaxia Film Distribution Co., Ltd., won three awards at the 91st Academy Awards, including Best Picture, Best Original Screenplay and Best Supporting Actor, making Alibaba Pictures the very first internet-based film and TV company in the world to have taken home an Oscar for Best Picture. In light of the above, film and TV content will become one of the Group's strategic focuses.

During the Reporting Period, the Group's internet-based promotion and distribution business segment recorded revenue of RMB2,464 million, representing an increase of 13% from RMB2,179 million for the corresponding period last year. For comparison purposes, major indicators of financial results of the internet-based promotion and distribution business for the Reporting Period and the Previous Period are summarized in the table below:

	Segment revenue Twelve months ended March 31,		**Segment margin Twelve months ended March 31,**	
	2019 RMB'000	2018 RMB'000 (unaudited)	**2019 RMB'000**	2018 RMB'000 (unaudited)
Ticketing and other services	**1,168,426**	1,012,119	**967,144**	790,985
System provider services for Yunzhi	**333,738**	346,640	**331,777**	343,174
Content promotion and distribution services and co-invested operation	**961,478**	819,758	**620,988**	716,364
Total	**2,463,642**	2,178,517	**1,919,909**	1,850,523

Revenue from ticketing and other services increased by 15% from RMB1,012 million in the Previous Period to RMB1,168 million, this was primarily attributable to a steady growth in market share; revenue from system provider services decreased by 4%, which was primarily attributable to the decrease in online user population; revenue from content promotion and distribution services and co-invested operation covers operations related to film promotion and distribution, content co-investment and Beacon, which was up by 17% during the Reporting Period, building on strengthened promotion and distribution capabilities. During the Reporting Period, on top of having become one of the preferred partners among film and TV companies, the Group also turned to a profit-making position in terms of annual results of its internet-based promotion and distribution business segment for the first time.

CONTENT PRODUCTION

The Group's content production business segment is engaged in the planning, development and production of films and TV drama series. Relying on its own unique advantage in data analysis and capabilities in promotion and distribution through relevant ecosystems, the Group is better equipped to select and develop productions that cater to current market needs.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group focuses on producing films about common people that come with major emotional appeals while promoting positive values. The Group launched the Jin Cheng Co-production Project (錦橙合製計劃) at the end of 2018, planning to support talented young directors and screenwriters by launching multiple co-produced films of premium quality in the four major seasons (namely the New Year holiday, Chinese New Year holiday, summer school holidays and National Day holiday) over the next five years as the lead investor, lead producer or lead promoter/distributor through collaboration with top-tier producers.

In addition, as a member of the media and entertainment matrix (M&E Matrix) of Alibaba Group Holding Limited ("AGH"), the Group also adjusted its production strategy for drama series to ensure mutual success by promoting synergy within the M&E Matrix and the greater Alibaba ecosystem. Following the adoption of a brand-new approach for resource allocation at the beginning of 2019, the Group's business for self-produced drama series is now able to benefit from advantages of the Alibaba ecosystem. Going forward, this business will follow a market-driven philosophy that centers on user needs in prioritizing core production elements within the industry and focusing on the production of premium contents, the ultimate aim of which is to produce more quality contents for its users through cost saving and efficiency improvement. As at the date of this report, the Group has already reserved over 10 projects covering a wide range of themes and user groups, which are expected to be released in succession from 2020.

The Group's content production business segment recorded revenue of RMB459 million during the Reporting Period, as compared with RMB556 million for the corresponding period last year. The Group recorded a segment loss of RMB221 million during the Reporting Period, compared with a profit of RMB5.8 million during the Previous Period. The Reporting Period marked a period of adjustment for our content-related policies: on the one hand, we managed to complete historical projects; on the other hand, we also reserved new projects for the next financial year, which, with the support from our new policies for content production, will see us focusing on delivering more quality contents.

INTEGRATED DEVELOPMENT

The development of merchandise that centers on intellectual properties (IPs) represents one of the key segments within the Group's strategy. It is an industry-wide consensus in the PRC film industry that IP merchandising is driven by common needs, and therefore should be explored on an expedited basis, given the tremendous potential of this sector. During the Reporting Period, the integrated development business recorded its first triple-digit growth in financial results.

Building on the economic fundamentals of its large fan base in the PRC, Alifish, a merchandise licensing and developing platform under the Group, has successfully established a unique trading platform for IPs. On the one hand, Alifish accurately connects IP owners with IP users to promote diversified monetization of IP value through big-data analysis; on the other hand, it also provides IP users with better solutions for merchandise development through accurate selection and pricing of merchandise categories. Furthermore, through effective assessment of relevant IP user base, Alifish also optimizes customer acquisition by upgrading algorithms to enable customer profiling at greater accuracy.

In terms of IP development, Alifish has already formed partnership with many domestic and overseas IP owners, including Storyteller Distribution Co., LLC, Paramount Licensing Inc., BANDAI NAMCO Entertainment Inc., The Pokemon Company, Sony Pictures Consumer Products Inc., Twentieth Century Fox Licensing and Merchandising, Central Pictures Corporation and Entertainment One UK Limited. 47 additional IP merchandising projects were introduced in the Reporting Period. As at the date of this report, Alifish has been successfully connected to over 200 IPs, including Uglydolls, Mr. Like* (點贊君), Pac Man, ZELLYGO and Traveling Frog, more than 100,000 merchants and over 600 million consumers who identify themselves as fans of such IPs.

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

Leveraging on the IPs and data owned by the M&E Matrix and the synergy among the Group's multiple ecosystems, Alifish has achieved significant commercial success. Under its management, the gross merchandise value (GMV) of Traveling Frog, a Japanese mobile game IP that enjoyed nationwide popularity in the PRC in 2018, has reached RMB200 million. Pikachu, another anime IP that was first brought to the PRC by Alifish, has even accumulated a record GMV of nearly RMB500 million.

The Group's integrated development business segment also consists of Yulebao – an investment platform for film, TV and entertainment projects. In order to address inhibitions such as capital shortage and long payback period in the film and television industry, Yulebao launched the Swan Goose Plan* (鴻雁計劃), through which it optimized relevant processes for box office payback, managing to shorten the time required for settlement from the conventional cycle of between three and twelve months to less than ten days. This has enhanced the turnover of capital within the film industry, while creating a settlement platform for film distributors and investors to gain equal and fast access to their shares of film box office receipts.

Yulebao has made noticeable progress in shortening the payback period of box office receipts. During the Reporting Period, Yulebao formed partnership with many presenters of premium contents to provide several films and drama series with various services, including sales of film and TV rights. One of which was the box office hit *Hello Mr. Billionaire* (西虹市首富), for which the Group successfully delivered payments in advance of RMB52 million to joint presenters within 15 days after the official release.

Yulebao has also successfully established a credit rating system applicable to the film and television industry based on industrial credit statistics accumulated through big-data technology, which is now an integral part of the financial infrastructure for the film and television industry.

Moreover, in partnership with leading producers in the sector, the Group also launched Yunshang, a production management system designed for film and TV production. This system has digitized and brought online most of the current works involved in film and TV production, including functions such as entire production procedure management, shooting management, communication and collaboration between crew members, as well as crew financial recording and reporting. Yunshang can assist producers in regulating production processes, controlling shooting quality, enhancing work efficiency and limiting production cost. Following a development phase that lasted for over a year, we recently launched a beta version of this system and offered it to nearly 30 film crews from top producers.

During the Reporting Period, revenue generated by the integrated development business grew by 174% to RMB111 million, reporting a triple-digit growth for the first time; while its operating profit increased by 110% year-over-year to RMB67 million.

PROSPECTS

Since March 5, 2019, the Company has become a consolidated subsidiary of AGH. 1,000,000,000 shares of the Company were allotted and issued to Ali CV Investment Holding Limited (the "Subscriber"), an indirect wholly-owned subsidiary of AGH, on March 5, 2019 pursuant to the subscription agreement dated December 9, 2018 entered into between the Company and the Subscriber (the "Subscription Agreement"). Going forward, the Group will continue:

1. to drive promotion and distribution through co-investment in films while improving its capacity to produce hit titles, with a view to becoming the single largest promotion and distribution company in the PRC within two years by utilizing the core promotion and distribution power of the twin drive of Tao Piao Piao and Beacon;

2. to build its capability to produce drama series while prioritizing on actors and screenwriters, with a view to becoming a steady source of top drama series for the M&E Matrix; and

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

3. to further deepen its involvement in building infrastructure for the cultural and entertainment industry, with a view to driving Tao Piao Piao and Yunzhi to further increase their market shares; helping Alifish maintain its explosive growth; enabling Beacon and relevant production software to expand their coverage; and to becoming the dominant industry leader while empowering its peers.

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 Reporting Period

During the Reporting Period, the Group recorded revenue of RMB3,034 million, representing an increase of 9% year-over-year. Operating loss narrowed by RMB663 million from RMB1,160 million in the Previous Period to RMB497 million in the Reporting Period. Comparing the two periods, the Group recorded stable increases in revenue, with the internet-based promotion and distribution segment, which maintained an annual profit-making position in its financial results for the first time, accounting for the largest portion of growth in the overall top line, while the integrated development segment showed the strongest growth in segment results, recording a triple-digit growth in revenue for the very first time.

Net loss attributable to the owners of the Company amounted to RMB254 million, compared with net loss of RMB1,245 million in the Previous Period, representing a significant decrease of RMB991 million year-over year.

As at March 31, 2019, loss per share (basic and diluted) for the Group decreased from RMB6.56 cents per share for the corresponding period last year to RMB1.00 cent.

Selling, Marketing and Administrative Expenses

During the Reporting Period, selling and marketing expenses amounted to RMB1,579 million, representing a year-over-year decrease of 38% when compared with approximately RMB2,528 million in the Previous Period. The decrease was primarily attributable to higher overall operating efficiency. Administrative expenses grew year-over-year from RMB795 million to RMB897 million, mainly due to increased employee benefit expenses and higher operating expenses resulted from business expansion.

Finance Income

During the Reporting Period, the Group recorded net finance income of RMB232 million, which included foreign exchange gain of RMB166 million. As the Group's cash reserves are held in multiple currencies, the foreign exchange gain resulted mainly from the depreciation of RMB against USD in the Reporting Period.

Material Investments

As at March 31, 2019, the Group held 14 investments in associates and joint ventures, all of which were accounted for using the equity method, and combined for a total book value of approximately RMB2,402 million. The Group held 12 investments in unlisted companies as well as convertible bonds, 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 RMB1,955 million. The three largest investments are in Bona Film Group Limited, Hehe (Shanghai) Pictures Co., Ltd., and Storyteller Holding Co., LLC Amblin, which are all involved in film production or distribution. During the Reporting Period, the Group recorded a total loss of RMB15.96 million in its investments in associates and joint ventures, and total fair value gains of RMB76.4 million in financial assets at fair value. These material investments strengthened the leading position of the Group in various business segments.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Resources and Liquidity

As at March 31, 2019, the Group had cash and cash equivalents and bank deposits of approximately RMB4.239 billion in multiple currencies. The Group held financial assets at fair value through profit or loss of approximately RMB190 million, which mainly consisted of investments in wealth management products issued by major banks in the PRC with expected return ranging from 2.72% to 3.81% per annum and redeemable within one year. The Group recognized an investment income of approximately RMB51 million from financial assets at fair value through profit or loss in the Reporting Period. The investments in wealth management products under financial assets at fair value through profit or loss were made in line with the Group's treasury and investment policies, after taking into account, among others, the level of risk, return on investment, liquidity and the term to maturity. As at March 31, 2019, the Group had long-term borrowings of RMB40 million, which bore interest at 6.555% per annum, under a five-year RMB-denominated bank facility with credit limit at RMB48 million; the Group also had long-term borrowings of US$100 million, which bore interest at 3.75% per annum, under a four-year USD-denominated bank facility with credit limit at US$100 million. As at March 31, 2019, the Group was in a net cash position and its gearing ratio (being net borrowings over total equity) was nil (March 31, 2018: nil). The Group actively and regularly reviews and manages its capital structure to maintain a balance between shareholder return and sound capital position. The Group continually makes adjustments, when necessary, to maintain an optimal capital structure and to reduce the cost of capital.

Foreign Exchange Risks

The Company holds its cash reserves in RMB, USD and HKD. Although the majority of production costs and administrative expenses are denominated in RMB, many investment opportunities and collaborations with studios outside Mainland China still require foreign currencies. The Group will continue to monitor its capital needs closely and manage foreign exchange risks accordingly. The Group has not used currency hedging instruments, but it aims to ensure that its exposure to exchange rate fluctuation is managed in a cost-effective manner through ongoing assessment.

Charge on Assets

As at March 31, 2019, the Group did not have any charge on assets (March 31, 2018: nil).

Contingent Liabilities

As at March 31, 2019, the Group did not have any material contingent liabilities (March 31, 2018: nil).

Employees and Remuneration Policies

As at March 31, 2019, the Group, including its subsidiaries but excluding its associates, had 1,184 (March 31, 2018: 1,442) employees. The total employee benefit expenses of the Group were RMB543 million in the Reporting Period. The remuneration policies of the Group are determined based on prevailing market levels and performance of the respective group companies and individual employees. These policies are reviewed on a regular basis. In addition to salary, the Group also offers to its employees other fringe benefits including year-end bonus, discretionary bonus, share options to be granted under the Company's share option scheme, awarded shares to be granted under the Company's share award scheme, contributory provident fund, social security fund, medical benefits and training.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. FAN Luyuan, aged 46 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 & Entertainment business group and the president of Youku business unit. 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 experiences. 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 200 million users, allowing mass consumers to be able to benefit from easy access to financial products. Meanwhile, he and his team have made the Alipay APP one of the most popular internet products in China in three years. He holds an executive master's degree in business administration from Cheung Kong Graduate School of Business.

Mr. MENG Jun, aged 39 and appointed to the Board on March 5, 2019, is an executive director, chief financial officer and a member of the executive committee of the Company. He is also a director of certain subsidiaries of the Company. Mr. Meng joined the Company on April 9, 2018. Before joining the Company, Mr. Meng served at Alibaba Group, where he held key financial management positions at a number of business units, including among others, Tao Dian Dian, Taobao Movie (now known as Tao Piao Piao), Tmall Supermarket and Alibaba Digital Media & Entertainment business group; he still held office at some of the said positions after joining the Company. Prior to joining Alibaba Group, Mr. Meng served 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 Directors

Ms. ZHANG Yu, aged 46 and appointed to the Board on March 5, 2019, is a non-executive director of the Company. Ms. Zhang joined Alibaba Group in November 2015 and is the vice president of finance at Alibaba Group. She has been a supervisor of 浙江螞蟻小微金融服務集團股份有限公司 (Ant Small and Micro Financial Services Group Co., Ltd.*) since December 2016 and the financial controller and the supervisor of various subsidiaries of Alibaba Group Holding Limited. Ms. Zhang has been appointed as a non-executive director of Alibaba Health Information Technology Limited (SEHK: 241) since December 29, 2017. She was a director of 蘇寧雲商集團股份有限公司 (Suning Commerce Group Co., Ltd.*), shares of which are listed on Shenzhen Stock Exchange, from March 2017 to March 2019. She was a partner of the Corporate Finance Audit (CFA) function in Siemens AG's East Asia Pacific Region since October 2010 where she managed a team of professionals across the finance, operations, IT, compliance and forensic audit disciplines, serving regions and countries such as the PRC, Southeast Asia, Korea, Japan, Australia and New Zealand. Before joining Siemens AG, Ms. Zhang was a partner at KPMG, where she had worked for more than 14 years serving large multinational companies and PRC companies. Ms. Zhang holds a bachelor's degree in economics from Renmin University of China and a master's degree in accounting from University of Denver, the United States. She is also a Certified Public Accountant in the PRC and the United States.

Mr. CHANG Yang, aged 53 and appointed to the Board on March 5, 2019, is a non-executive director of the Company. Mr. Chang is the vice president at Alibaba Group, the president of Damai, a ticketing and distribution platform for live entertainments of Alibaba Group, and the chief executive officer of 酷漾文化傳播有限公司 (Cool Young Culture Communication Co., Ltd.*), a non-wholly-owned subsidiary of the Company. He has been the vice president of human resources at Alibaba Group since July 2015, responsible for investment and M&A related human resources work and manages the overall human resources operation in Beijing. He has been the chief people officer of Auto Navi since April 2015 and the chief people officer of Alibaba Digital Media & Entertainment business group since April 2016. In July 2010, Mr. Chang joined Alibaba Group as the vice president of human resources of Alipay. Since then, Mr. Chang has been responsible for the human resources work of several business units, including Alipay, Taobao, Tmall, Juhuasuan and Alibaba.com. Before joining Alibaba Group, Mr. Chang held a number of human resources leadership roles, including, among others, human resources manager of IKEA China, senior human resources consultant to the Royal Bank of Scotland, and global human resources director of Perlos. Mr. Chang holds a bachelor's degree in astrophysics from Peking University.

* *For identification purpose only*

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Independent Non-Executive Directors

Ms. SONG Lixin, aged 51 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 is 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 consecutive 18 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 45 and appointed to the Board on June 27, 2014, is an independent non-executive director, the chairman of the remuneration committee and a member of each of the audit committee and nomination committee of the Company. He is a co-founder and managing partner at Boyu Capital. Prior to founding Boyu Capital, Mr. Tong was a managing director at General Atlantic and Providence Equity Partners, where he headed both firms' Greater China practice and served as a director at a number of publicly-listed and privately-held companies. Mr. Tong graduated from Harvard University where he was a member of Phi Beta Kappa.

Mr. Johnny CHEN, aged 59 and appointed to the Board on January 29, 2016, is an independent non-executive director, 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 executive director and the chairman of the board of directors of Convoy Global Holdings Limited (SEHK: 1019). He is also currently an independent non-executive director of each of Uni-President China Holdings Ltd. (SEHK: 220), Stella International Holdings Limited (SEHK: 1836) and China Travel International Investment Hong Kong Limited (SEHK: 308). Mr. Chen was an independent non-executive director of each of China Dongxiang (Group) Co., Ltd. (SEHK: 3818) from July 2017 to March 2019, Viva China Holdings Limited (SEHK: 8032) from June 2010 to February 2019, and China Minsheng Financial Holding Corporation Limited (SEHK: 245) from December 2015 to November 2018.

Company Secretary

Mr. NG Lok Ming, William, aged 46, has been the company secretary of the Company since November 3, 2015. Mr. Ng is also the legal director – company secretarial and compliance of Alibaba Group Holding Limited. He has more than 10 years of experience working in senior legal positions and as Company Secretary of companies listed in Hong Kong. Mr. Ng graduated from the University of Hong Kong with an LL.B. and a P.C.LL. in 1995 and 1996, respectively. He later obtained an LL.M. in Comparative and PRC law from the City University of Hong Kong in 2002. Mr. Ng was admitted as a solicitor of the High Court of Hong Kong in 2001. He is also a member of the Law Society of Hong Kong.

DIRECTORS' REPORT

The board of directors (the "Director(s)") (the "Board") of Alibaba Pictures Group Limited (the "Company") present their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the financial year ended March 31, 2019.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the financial year ended March 31, 2019 are set out in the consolidated statement of profit or loss on page 101.

The Directors do not recommend the payment of a dividend for the financial year ended March 31, 2019 (2018: nil).

SHARE CAPITAL OF THE COMPANY

Details of shares capital of the Company are set out in note 21 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at March 31, 2019, the Company's distributable reserves calculated in accordance with the provisions of the Bermuda Companies Act amounted to approximately RMB522 million (March 31, 2018: RMB16 million).

BUSINESS REVIEW

The business review of the Group as at March 31, 2019 is set out under the section headed "Management Discussion and Analysis" of this report on pages 5 to 11.

PRINCIPAL RISKS AND UNCERTAINTIES

Principal risks and uncertainties the Group faces are set out under the sections headed "Corporate Governance Report – Accountability and Audit – Risk Management and Internal Control – Disclosure of Material Risks" of this report on pages 74 to 76 and "Directors' Report – Contractual Arrangements – Risks associated with Structured Contracts and the actions taken to mitigate the risks" of this report on pages 49 to 50.

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 228.

DIRECTORS' REPORT

DIRECTORS

The Directors during the financial year ended March 31, 2019 and up to the date of this report were:

Executive Directors

Mr. Fan Luyuan *(Chairman & Chief Executive Officer)*
Mr. Meng Jun *(Appointed on March 5, 2019)*
Mr. Yu Yongfu *(Resigned on March 5, 2019)*
Ms. Zhang Wei *(Resigned on March 5, 2019)*

Non-Executive Directors

Ms. Zhang Yu *(Appointed on March 5, 2019)*
Mr. Chang Yang *(Appointed on March 5, 2019)*
Mr. Li Lian Jie *(Resigned on March 5, 2019)*
Mr. Shao Xiaofeng *(Resigned on March 5, 2019)*

Independent Non-Executive Directors

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

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

In accordance with bye-law 86(2) of the Bye-laws, Mr. Meng Jun, Ms. Zhang Yu and Mr. Chang Yang shall hold office only until the forthcoming AGM and, all being eligible, offer themselves for re-election.

The Directors' biographical details are set out on pages 12 to 14.

DIRECTORS' REPORT

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at March 31, 2019, 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:

Interests in the shares and underlying shares of the Company

Name of Director	Long/Short Position	Nature of Interest	Number of Ordinary Shares held	Derivatives: Share Options	Derivatives: Awarded Shares	Aggregate Interests	Percentage of Aggregate Interests to Total Issued Share Capital of the Company *(Note 1)*
Chang Yang	Long position	Beneficial owner	200,000	–	–	200,000	0.00%

Note:

1. Based on a total of 26,628,822,510 ordinary shares of the Company in issue as at March 31, 2019.

Interests 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	Long/Short Position	Nature of Interest	Number of Ordinary Shares of AGH held	Derivatives: Restricted Share Units	Derivatives: Other *(Note 2)*	Aggregate Interests	Percentage of Aggregate Interests to Total Issued Share Capital of AGH *(Note 1)*
Fan Luyuan	Long Position	Beneficial owner	–	272,667	–	961,524	0.04%
		Founder of a discretionary trust	133,333 *(Note 3)*	–	409,056 *(Note 4)*		
		Other	146,468 *(Note 5)*	–	–		
Meng Jun	Long Position	Beneficial owner	–	11,500	–	30,458	0.00%
		Interest of spouse	5,158	13,800	–		
Zhang Yu	Long Position	Beneficial owner	13,132	36,742	–	49,874	0.00%
Chang Yang	Long Position	Beneficial owner	–	20,500	–	20,500	0.00%
Tong Xiaomeng	Long Position	Beneficial owner	117,647	–	–	117,647	0.00%
Johnny Chen	Long Position	Beneficial owner	100	–	–	100	0.00%

DIRECTORS' REPORT

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE *(Continued)*

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

Notes:

1. Based on a total of 2,585,521,779 ordinary shares of AGH in issue as at March 31, 2019.

2. Exchangeable ordinary shares ("EOS(s)") of PCIP I Limited, a consolidated entity of AGH, are exchangeable into ordinary shares of AGH based on a 1:1 exchange ratio in accordance with the Articles of Association of PCIP I Limited.

3. It represents 133,333 ordinary shares of AGH held by a discretionary trust of which Mr. Fan Luyuan is a founder who can influence how the trustee exercises his discretion.

4. It represents 409,056 EOSs held by a discretionary trust of which Mr. Fan Luyuan is a founder who can influence how the trustee exercises his discretion.

5. It represents 146,468 ordinary shares of AGH held by a trust, the beneficiaries of which include Mr. Fan Luyuan's children under the age of 18.

Interests in the shares and underlying shares of PCIP I Limited ("PCIP I"), an associated corporation of the Company within the meaning of Part XV of the SFO

Name of Director	Long/Short Position	Nature of Interest	Number of Exchangeable Ordinary Shares of PCIP I held	Aggregate Interests	Percentage of Aggregate Interests to Total Issued Exchangeable Ordinary Shares of PCIP I *(Note 1)*
Fan Luyuan	Long Position	Founder of a discretionary trust	409,056 *(Note 2)*	409,056	3.67%

Notes:

1. Based on a total of 11,141,372 EOSs of PCIP I in issue as at March 31, 2019.

2. It represents 409,056 EOSs held by a discretionary trust of which Mr. Fan Luyuan is a founder who can influence how the trustee exercises his discretion.

Save as disclosed above, as at March 31, 2019, none of the Directors, chief executive of the Company nor their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES

2012 Share Option Scheme

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

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

Purpose

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

Participants

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

(i) any Employee;

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

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

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

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

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

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

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

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

2012 Share Option Scheme *(Continued)*

Duration and Administration

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

– the 10th anniversary of the Option Scheme Adoption Date; and

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

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

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

Grant of Share Options

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

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

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

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

2012 Share Option Scheme *(Continued)*

Grant of Share Options *(Continued)*

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

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

Exercise Price

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

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

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

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

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

Exercise of Share Options

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

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

2012 Share Option Scheme *(Continued)*

Exercise of Share Options *(Continued)*

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

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

Maximum Limit

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

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

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

Individual Limit

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

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

2012 Share Option Scheme *(Continued)*

Movements of Share Options

As at March 31, 2019, a total of 144,505,000 Share Options have been granted and remained outstanding under the 2012 Share Option Scheme, representing approximately 0.54% of the shares of the Company in issue as at the date of this report. No participant was granted with Share Options in excess of the individual limit as set out in the 2012 Share Option Scheme. As at the date of this report, the remaining life of the 2012 Share Option Scheme is approximately 3 years. Further details of the 2012 Share Option Scheme are set out in note 22 to the consolidated financial statements.

Movements of the Share Options granted by the Company pursuant to the 2012 Share Option Scheme during the financial year ended March 31, 2019 were as follows:

Category	Date of grant	Exercise price per share (HK$)	Closing price of shares immediately before the date on which the Share Options were granted (HK$)	Outstanding as at April 1, 2018	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at March 31, 2019	Vesting period (Notes)
Director										
Zhang Wei (resigned on March 5, 2019)	13/04/2016	1.880	1.890	5,000,000	–	–	–	–	5,000,000	1(ii)
	24/10/2017	1.276	1.270	5,000,000	–	–	–	–	5,000,000	1(ii)
	21/05/2018	0.912	0.910	–	7,000,000	–	–	–	7,000,000	1(ii)
Employees	28/01/2015	1.670	1.650	7,600,000	–	–	5,500,000	–	2,100,000	1(i)
	13/04/2016	1.880	1.890	925,000	–	–	–	–	925,000	1(ii)
	15/04/2016	1.842	1.860	–	–	–	–	–	–	1(i)
	03/06/2016	1.860	1.860	–	–	–	–	–	–	1(i)
	03/06/2016	1.860	1.860	8,530,000	–	–	500,000	–	8,030,000	1(ii)
	05/12/2016	1.494	1.470	1,050,000	–	–	–	–	1,050,000	1(i)
	05/12/2016	1.494	1.470	6,300,000	–	–	1,500,000	–	4,800,000	1(ii)
	13/01/2017	1.270	1.290	–	–	–	–	–	–	1(i)
	17/07/2017	1.310	1.310	9,478,500	–	–	9,478,500	–	–	1(i)
	24/10/2017	1.276	1.270	7,850,000	–	–	5,150,000	–	2,700,000	1(ii)
	18/01/2018	1.060	1.070	6,200,000	–	–	–	–	6,200,000	1(i)
	21/05/2018	0.912	0.910	–	10,700,000	–	–	–	10,700,000	1(i)
	21/05/2018	0.912	0.910	–	79,750,000	–	21,150,000	–	58,600,000	1(ii)
	26/09/2018	1.02	1.01	–	19,600,000	–	2,800,000	–	16,800,000	1(i)
	26/09/2018	1.02	1.01	–	17,000,000	–	1,400,000	–	15,600,000	1(ii)
Total:				57,933,500	134,050,000	–	47,478,500	–	144,505,000	

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

2012 Share Option Scheme *(Continued)*

Notes:

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

   (i) Category A

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

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

   (ii) Category B

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

   The vesting period of the Share Options commences on promotion effective date or performance incentive effective date 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.

3. During the financial year ended March 31, 2019, no share options were exercised under the 2012 Share Option Scheme.

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

Share Award Scheme

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

Purposes and Objectives

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

Administration

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

Duration

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

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

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

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

As at March 31, 2019, the remaining life of the Share Award Scheme is approximately 13 years.

Maximum Limit

The maximum aggregate number of shares of the Company ("Shares") which can be held by the Trustee under the Scheme at any single point in time shall not exceed two per cent (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 selected by the Board ("Selected Employee") under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

Share Award Scheme *(Continued)*

Restrictions

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

Operation

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

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

The Board may also from time to time instruct the trustee in writing to purchase Shares on the Stock Exchange, in which case, the Board shall specify the maximum amount of funds to be used and the range of prices at which such Shares are to be purchased. The trustee shall apply such amount of residual cash in the trust fund towards the purchase of such maximum board lot of Shares at the prevailing market price according to the Board's instructions. Once purchased, the Shares are to be held by the trustee for the benefit of employees (whether full time or part time), consultant, executive or officer, director (including any executive, non-executive and independent non-executive director) of a Group company or any Associated Entity ("Employee(s)") 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.

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

Share Award Scheme *(Continued)*

Vesting and Lapse *(Continued)*

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.

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

In the event a Selected Employee ceases to be an employee of a Group company or an Associated Entity 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.

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

Share Award Scheme *(Continued)*

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.

Movements of Awarded Shares

During the financial year ended March 31, 2019, 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 dates on which the Awarded Shares were granted (HK$)	Number of Awarded Shares outstanding as at April 1, 2018	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, 2019
28/07/2017	183,060,000 *(Notes 1 & 6)*	1.310	67,794,500	–	22,980,500	20,005,500	24,808,500
27/10/2017	79,449,000 *(Notes 2 & 6)*	1.250	63,191,250	–	15,164,000	21,709,250	26,318,000
18/01/2018	18,320,000 *(Notes 3 & 6)*	1.070	17,840,000	–	–	3,120,000	14,720,000
21/05/2018	94,378,600 *(Notes 4 & 6)*	0.910	–	94,378,600	–	17,502,000	76,876,600
26/09/2018	50,120,000 *(Notes 5 & 6)*	1.010	–	50,120,000	–	6,000,000	44,120,000
Total:	**425,327,600**		**148,825,750**	**144,498,600**	**38,144,500**	**68,336,750**	**186,843,100**

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, who resigned as executive director of the Company on March 5, 2019, 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, who resigned as executive director of the Company on March 5, 2019, 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, who resigned as executive director of the Company on March 5, 2019, 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. The Awarded Shares granted to each grantee have a specific vesting schedule of not more than 4 years, and the grantees are not required to pay for the grant/vesting/exercise of the Awarded Shares.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Incentive Schemes" above, at no time during the financial year ended March 31, 2019 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 32 to the consolidated financial statements, no transactions, arrangements or contracts of significance to which the Company, any of its holding companies, its subsidiaries or its fellow subsidiaries was a party and in which a Director and/or any of its connected entity had a material interest, whether directly or indirectly, and no transaction, arrangement or contract of significance between the Company, any of its holding companies, its subsidiaries and the Company's controlling shareholder or any of its subsidiaries, subsisted at the end of the financial year ended March 31, 2019 or at any time during the financial year ended March 31, 2019.

DIRECTORS' REPORT

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, 2019.

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 "Management Discussion and Analysis" section as set out on page 11 of this report.

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

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year ended March 31, 2019. 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, 2019 and up to the date of this report, to the best knowledge of the Directors, the Group complied with applicable laws, rules and regulations in all material aspects.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to promoting environmentally friendly business practices and raising awareness on the conservation of natural resources. Utilizing Alibaba Group's powerful intranet systems, our staff can accomplish some of their administrative work electronically which reduces the use of office supplies. We also encourage prudent electricity consumption. Our staff are advised to turn off any lights in unoccupied areas. The Group believes that taking active measures in minimizing wasteful material and energy consumption in the course of conducting our business would not only bring economic benefits but also assist in the preservation of the natural environment.

An Environmental, Social and Governance Report has been incorporated in this report on pages 80 to 91.

MAJOR CUSTOMERS AND SUPPLIERS

During the financial year ended March 31, 2019, 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%.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS

During the financial year ended March 31, 2019, 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 connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules. These relevant entities include:

(1) Alibaba Group Holding Limited ("AGH"), which indirectly wholly owns Ali CV Investment Holding Limited ("Ali CV"), the controlling shareholder of the Company holding approximately 50.65% of the issued share capital in the Company, and hence a connected person of the Company;

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

(3) 淘寶天下傳媒有限公司 (Taobao Tianxia Media Co., Ltd.*) ("Taobao Tianxia Media"), which is a 30%-controlled company of AGH. Accordingly, Taobao Tianxia Media is an associate of Ali CV and a connected person of the Company;

(4) 廣州愛九遊信息技術有限公司 (Guangzhou Aijiuyou Information Technology Co., Ltd.*) ("Aijiuyou"), which is a consolidated entity of AGH. Accordingly, Aijiuyou is an associate of Ali CV and a connected person of the Company;

(5) 杭州易宏廣告有限公司 (Hangzhou Yihong Advertising Co., Ltd.*) ("Hangzhou Yihong"), which is an indirect wholly-owned subsidiary of AGH. Accordingly, Hangzhou Yihong is an associate of Ali CV and a connected person of the Company;

(6) 廣州聚耀信息科技有限公司 (Guangzhou Juyao Information Technology Co., Ltd.*) ("Guangzhou Juyao"), which is an indirect wholly-owned subsidiary of AGH. Accordingly, Guangzhou Juyao is an associate of Ali CV and a connected person of the Company;

(7) 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;

(8) 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;

(9) 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;

(10) 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;

(11) 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 浙江螞蟻小微金融服務集團股份有限公司 (Ant Small and Micro Financial Services Group Co., Ltd.*) ("Ant Financial") which together with its subsidiaries have been deemed as connected persons of the Company by the Stock Exchange under Rule 14A.19 of the Listing Rules since July 2017;

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

(12) 螞蟻勝信(上海)信息技術有限公司 (Ant Shengxin (Shanghai) Information Technology Co., Ltd.*) ("Ant Shengxin"), which is a wholly-owned subsidiary of Ant Financial and has been deemed as a connected person of the Company by the Stock Exchange under Rule 14A.19 of the Listing Rules since July 2017;

(13) 螞蟻智信(杭州)信息技術有限公司 (Ant Zhixin (Hangzhou) Information Technology Co., Ltd.*) ("Ant Zhixin"), which is a wholly-owned subsidiary of Ant Financial and has been deemed as a connected person of the Company by the Stock Exchange under Rule 14A.19 of the Listing Rules since July 2017;

(14) 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;

(15) Wavelets Entertainment, Inc. ("Wavelets"), which is a 30%-controlled company indirectly held by AGH. Accordingly, Wavelets is an associate of Ali CV and a connected person of the Company; and

(16) 上海拉扎斯信息科技有限公司 (Shanghai Rajax Information Technology Co., Ltd.*) ("Shanghai Rajax"), which is a consolidated entity of AGH. Accordingly, Shanghai Rajax is an associate of Ali CV and a connected person of the Company.

Connected transactions

(1) Transaction in relation to the sale of online dissemination rights of drama series

On July 11, 2018, 北京中聯華盟文化傳媒投資有限公司 (Beijing Asian Union Culture Media Investment Co., Ltd.*) ("Beijing Asian Union"), a consolidated subsidiary of the Company, entered into the online dissemination rights transfer agreement with Youku Technology in relation to a web drama series titled as "Legend of the Ancient Sword 2" (古劍奇譚2), pursuant to which Beijing Asian Union agreed to sell the online dissemination rights of the web drama series "Legend of the Ancient Sword 2" (古劍奇譚2) to Youku Technology at a cash consideration of RMB200,000,000 (tax inclusive).

(2) Transaction in relation to the sale of online dissemination rights of film

On September 12, 2018, 浙江東陽小宇宙影視傳媒有限公司 (Zhejiang Dongyang Xiaoyuzhou Movie and Media Co., Ltd.*) ("Zhejiang Dongyang"), a consolidated subsidiary of the Company, entered into the online dissemination rights transfer agreement with Youku Technology in relation to a film jointly produced by the Group and two other independent third party investors titled as "Legend of the Ancient Sword" (古劍奇譚之流月昭明), pursuant to which Zhejiang Dongyang (for and on behalf of the copyright owner of the film) agreed to sell the online dissemination rights of the film to Youku Technology. The total consideration for the disposal of the film was initially set at RMB14,000,000 and would increase as the film's total box office revenue in the PRC grows, subject to a maximum of RMB50,000,000. According to the joint investment arrangement between the Group and the two other independent third-party investors, the Group would be entitled to receive 85.75% of the total consideration for the disposal of the film, including the investment income sharing and the promotion and distribution services fee. As at March 31, 2019, the actual cash consideration payable to Zhejiang Dongyang by Youku Technology for the said disposal was RMB14,000,000.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Connected transactions *(Continued)*

(3) Transaction in relation to subscription of new shares of the Company by the controlling shareholder of the Company

On December 9, 2018, the Company entered into the share subscription agreement (the "Share Subscription Agreement") with Ali CV, the controlling shareholder of the Company, pursuant to which Ali CV agreed to subscribe for 1,000,000,000 new shares of the Company at the subscription price of HK$1.25 per subscription share, with an aggregate consideration of HK$1,250,000,000 (the "Share Subscription"). The Share Subscription Agreement and the transactions contemplated thereunder were approved, confirmed and ratified by independent shareholders of the Company at the special general meeting held on February 22, 2019. Upon fulfilment or waiver of all conditions precedent to the Share Subscription, the Company allotted and issued 1,000,000,000 new shares to Ali CV on March 5, 2019. Following completion of the Share Subscription, the Company has become a subsidiary of Ali CV.

(4) Two Specific Procurement Agreements

Prior to signing the Procurement Framework Agreement (as defined below) with Ant Financial, 杭州晨熹多媒體科技有公司 (Hangzhou Aurora Multi-Media Technology Co., Ltd.*) ("Hangzhou Aurora"), an indirect non-wholly-owned subsidiary of the Company, entered into a procurement agreement (the "Procurement Agreement I") with Ant Shengxin, a wholly-owned subsidiary of Ant Financial, in relation to the sale of movie tickets pre-sale codes on July 10, 2018, pursuant to which Hangzhou Aurora sold 12,000 pre-sale codes relating to specific movie tickets to Ant Shengxin at a total consideration of RMB384,000 (tax inclusive); on July 11, 2018, Hangzhou Aurora entered into a procurement agreement (the "Procurement Agreement II") with Alipay, another wholly-owned subsidiary of Ant Financial, pursuant to which Hangzhou Aurora sold 62,500 pre-sale codes relating to specific movie tickets to Alipay at a total consideration RMB2,000,000 (tax inclusive).

Continuing connected transactions

(1) Marketing Services Agreement

On August 11, 2017,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 (as service user) entered into the marketing services agreement (the "Marketing Services Agreement") with Taobao Tianxia Media (as service provider), for a term commenced from July 5, 2017 and ending on December 31, 2019. Pursuant to the Marketing Services Agreement, Taobao Tianxia Media agreed to provide Zhonglian Shengshi with services including the creation of marketing campaigns, the design and production of marketing materials, and event planning. The annual caps of the marketing services under the Marketing Services Agreement for the years ended December 31, 2017, December 31, 2018 and December 31, 2019 are RMB10,000,000, RMB15,000,000 and RMB15,000,000, respectively. The actual transaction amount of the marketing services under the Marketing Services Agreement for the years ended December 31, 2017 and December 31, 2018, and the period commenced from January 1, 2019 and ended on March 31, 2019 amounted to approximately RMB1,994,000, RMB4,627,000 (of which approximately RMB1,598,000 was attributable to the period from April 1, 2018 to December 31, 2018) and RMB128,000, respectively.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(2) *Mobile Game Placement Agreement*

On August 11, 2017, Zhejiang Dongyang, a consolidated subsidiary of the Company (as investor of the web drama series titled as "最強男神"), entered into an agreement (the "Mobile Game Placement Agreement") with Aijiuyou (as operator and distributor of the mobile game titled as "自由之戰 2"(the "Mobile Game")), pursuant to which Aijiuyou would be entitled to place the Mobile Game in "最強男神" and use its relevant scenes, pictures, posters, stills and characters' names for the promotion of this drama series and the Mobile Game. The license under the Mobile Game Placement Agreement shall expire no later than three years from the date of signing the Mobile Game Placement Agreement. The total shared income receivable by Zhejiang Dongyang under the Mobile Game Placement Agreement (the "Total Shared Income") will not exceed RMB12,000,000. Since all or a portion of the Total Shared Income (which comprises a fixed fee of RMB5,000,000) may be received by Zhejiang Dongyang in the year ended December 31, 2017, the annual caps of transactions contemplated under the Mobile Game Placement Agreement for the two years ended December 31, 2017 and 2018 are therefore RMB12,000,000 and RMB7,000,000, respectively. The actual transaction amounts of the transactions under the Mobile Game Placement Agreement for the two years ended December 31, 2017 and December 31, 2018 amounted to nil and approximately RMB4,717,000 (none of which was attributable to the period from April 1, 2018 to December 31, 2018), respectively.

(3) *Advertising Services Framework Agreement I*

On January 19, 2018, 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 (as advertising service provider), entered into an advertising services framework agreement (the "Advertising Services Framework Agreement I") with Hangzhou Yihong and Alimama (as advertising service agents), for a term commenced from the effective date of the Advertising Services Framework Agreement I and ended on March 31, 2019. Pursuant to the Advertising Services Framework Agreement I, Hangzhou Yihong and Alimama agreed to procure their clients to use the advertising services provided by Shanghai TPP to promote the products or services of the clients of Hangzhou Yihong and Alimama on the online platforms and channels of Shanghai TPP. The annual caps of all transactions under the Advertising Services Framework Agreement I for the financial years ended March 31, 2018 and March 31, 2019 are RMB5,000,000 and RMB25,000,000, respectively. The actual transaction amounts for all transactions under the Advertising Services Framework Agreement I for the two financial years ended March 31, 2018 and March 31, 2019 amounted to approximately RMB1,104,000 and RMB17,036,000, respectively.

(4) *Advertising Services Framework Agreement II*

On January 19, 2018, Shanghai TPP, a consolidated subsidiary of the Company (as advertising service provider), entered into an advertising services framework agreement (the "Advertising Services Framework Agreement II") with Guangzhou Juyao (as advertising service agent), for a term commenced from the effective date of the Advertising Services Framework Agreement II and ended on March 31, 2019. Pursuant to the Advertising Services Framework Agreement II, Guangzhou Juyao agreed to procure its clients to use the advertising services provided by Shanghai TPP to promote the products or services of its clients on the online platforms and channels of Shanghai TPP. The annual caps of all transactions under the Advertising Services Framework Agreement II for the financial years ended March 31, 2018 and March 31, 2019 are RMB1,000,000 and RMB10,000,000, respectively. The actual transaction amounts for all transactions under the Advertising Services Framework Agreement II for the two financial years ended March 31, 2018 and March 31, 2019 amounted to approximately RMB142,000 and RMB3,509,000, respectively.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(5) *Marketing Cooperation Framework Agreement*

On April 20, 2018, Beijing Asian Union, a consolidated subsidiary of the Company, entered into the marketing cooperation framework agreement (the "Marketing Cooperation Framework Agreement") with Alimama and Youku Tudou, both subsidiaries of AGH, for a term commenced from April 20, 2018 and ended on March 31, 2019. Pursuant to the Marketing Cooperation Framework Agreement, the Group (as agent for and on behalf of its clients) will enter into specific marketing agreements with Alimama and/or Youku Tudou to procure online advertising and relevant services from Alimama and/or Youku Tudou at predetermined discount rates. The annual cap of the services under the Marketing Cooperation Framework Agreement for the financial year ended March 31, 2019 is RMB45,000,000. The actual transaction amount of the services under the Marketing Cooperation Framework Agreement for the financial year ended March 31, 2019 amounted to approximately RMB2,385,000.

(6) *Operating Service Agreement*

On May 11, 2018, 阿里巴巴授權寶(天津)文化傳播有限公司 (Alibaba Shouquanbao (Tianjin) Culture Communication Co., Ltd.*) ("Shouquanbao"), a consolidated subsidiary of the Company, entered into the operating service agreement (the "Operating Service Agreement") with Tmall Network and Tmall Technology (together, the "Tmall Entities"), for a term commenced from May 11, 2018 and ending on March 31, 2021. Pursuant to the Operating Service Agreement, Shouquanbao shall provide Tmall Entities with such services that are necessary for operations in relation to relevant categories (including action figures, film & TV & entertainment merchandise, board & card games, cosplay, etc.), such as customer services, marketing services, merchant evaluation and quality control of merchandise. The annual caps of the transactions contemplated under the Operating Service Agreement for the three financial years ended March 31, 2019, March 31, 2020 and March 31, 2021 are RMB47,500,000, RMB70,000,000 and RMB98,000,000, respectively. The actual service fee payable by Tmall Entities to Shouquanbao under the Operating Service Agreement for the financial year ended March 31, 2019 amounted to approximately RMB33,456,000.

(7) *Information Dissemination Cooperation Agreement*

On June 8, 2018, Shanghai TPP, a consolidated subsidiary of the Company, entered into the information dissemination cooperation agreement (the "Information Dissemination Cooperation Agreement") with Hangzhou Yihong, for a term commenced from June 10, 2018 and ended on March 31, 2019. Pursuant to the Information Dissemination Cooperation Agreement, Shanghai TPP will provide the information dissemination services based on Hangzhou Yihong's business needs. The annual cap of the transactions contemplated under the Information Dissemination Cooperation Agreement for the financial year ended March 31, 2019 is RMB15,000,000. The actual transaction amount of the services under the Information Dissemination Cooperation Agreement for the financial year ended March 31, 2019 was nil.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(8) Payment Services Framework Agreement, Renewed Payment Services Framework Agreement and Second Renewed Payment Services Framework Agreement

On September 18, 2017, the Company (for itself and on behalf of its subsidiaries) (as service user) entered into the payment services framework agreement (the "Payment Services Framework Agreement") with Alipay (as service provider), for an original term commenced from July 10, 2017 and ended on July 9, 2018. Pursuant to the 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 Payment Services Framework Agreement for the years ended December 31, 2017 and 2018 are RMB40,000,000 and RMB44,000,000, respectively.

On June 29, 2018, the Company (for itself and on behalf of its subsidiaries) entered into the renewed payment services framework agreement (the "Renewed Payment Services Framework Agreement") with Alipay, for a term commenced from June 29, 2018 and ended on March 31, 2019. The parties agreed that the Renewed Payment Services Framework Agreement would supersede the Payment Services Framework Agreement upon signing. The annual cap of all payment services under the Renewed Payment Services Framework Agreement for the period commenced from June 29, 2018 and ended on March 31, 2019 is RMB80,000,000.

The actual transaction amounts of all payment services under the Payment Services Framework Agreement for the periods from July 10, 2017 to December 31, 2017, from January 1, 2018 to June 28, 2018, and from June 29, 2018 to March 31, 2019 amounted to approximately RMB30,470,000, RMB39,300,000 and RMB54,852,000, respectively. Among which, the actual transaction amount for the period commenced from April 1, 2018 and ended on March 31, 2019 amounted to approximately RMB68,422,000.

On March 29, 2019, the Company (for itself and on behalf of its subsidiaries) again entered into the Renewed Payment Services Framework Agreement (the "Second Renewed Payment Services Framework Agreement") with Alipay, for a term commenced from April 1, 2019 and ending on March 31, 2020. The annual cap of all payment services under the Second Renewed Payment Services Framework Agreement for the financial year ending March 31, 2020 is RMB80,000,000.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(9) Renewed Technology Services Agreement and Alifish Technology Services Agreement

On December 31, 2015, the Company and AGH completed the agreement dated November 4, 2015 in relation to the acquisition of the online movie ticketing business and Yulebao (collectively, the "Target Business") from AGH, and entered into certain other continuing connected transactions, including, among others, the technology services agreement (the "Original Technology Services Agreement"). Pursuant to the Original Technology Services Agreement, AGH agreed to procure the service providers (being AGH and affiliates under the Original Technology Services Agreement or other parties designated by AGH) to provide technology services (including the provision of servers, co-location and bandwidth, as well as the right to access certain systems in respect of the online movie ticketing business) to support the Target Business, for a term of two years commenced from the completion date (i.e. December 31, 2015) and ended on December 30, 2017. The annual cap in respect of the fees payable by the Group (inclusive of any applicable tax) for each of the 12-month periods during the two-year term under the Original Technology Services Agreement is RMB6 million. The actual fees paid by the Group under the Original Technology Services Agreement (i) for the first 12-month period ended December 30, 2016 amounted to approximately RMB1,458,000, and (ii) for the second 12-month period ended December 30, 2017 amounted to approximately RMB2,102,000.

On July 16, 2018, the Company entered into the Renewed Technology Services Agreement (the "Renewed Technology Services Agreement") with AGH, for a term commenced from December 31, 2017 and ending on March 31, 2020. Pursuant to the Renewed Technology Services Agreement, AGH has agreed to procure the service providers (being AGH and its affiliates set out under the Original Technology Services Agreement or otherwise designated by AGH) to provide technology services to the Company and its affiliates to support the Group's Tao Piao Piao and Yulebao. The annual caps of the service fees under the Renewed Technology Services Agreement for the financial years ended March 31, 2019 and March 31, 2020 are RMB8,400,000 and RMB10,000,000, respectively. The actual service fees paid/payable by the Group to AGH for the technology services under the Renewed Technology Services Agreement for the period from December 31, 2017 to March 31, 2018 and the financial year from April 1, 2018 to March 31, 2019 amounted to approximately RMB710,000 and RMB7,728,000, respectively.

On January 15, 2018, Shouquanbao, a consolidated subsidiary of the Company, entered into the technology services agreement (the "Alifish Technology Services Agreement") with Tmall Technology, in respect of Alifish platform, an IP trading platform of Alibaba Group, the three-year exclusive operating rights of which has been obtained by Shouguanbao from Alibaba Group since January 15, 2018 for a term commenced from January 15, 2018 and ending on January 14, 2021. Pursuant to the Alifish Technology Services Agreement, Shouguanbao shall use the necessary technology services (including but not limited to data analysis and statistics, data reporting and system maintenance) provided by Tmall Technology for the operation of Alifish platform. It is expected that the maximum annual service fee (in any 12-month period) for the technology services under the Alifish Technology Services Agreement would not exceed RMB668,000. The actual fee paid/payable by the Group under the Alifish Technology Services Agreement for the first 12-month period ended January 14, 2019 was nil.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(10) *Procurement Framework Agreement*

On August 1, 2018, Hangzhou Aurora entered into the procurement framework agreement (the "Procurement Framework Agreement") with Ant Financial (for itself and on behalf of its subsidiaries), for a term commenced from August 1, 2018 and ended on March 31, 2019. Pursuant to the Procurement Framework Agreement, Hangzhou Aurora may enter into specific procurement agreements with Ant Financial or any of its subsidiaries to sell the pre-sale codes and/or the cash vouchers relating to movie tickets to Ant Financial or any of its subsidiaries. The annual cap of the sale of the pre-sale codes and the cash vouchers under the Procurement Framework Agreement is RMB50,000,000. The actual transaction amount under the Procurement Framework Agreement for the period commenced from August 1, 2018 and ended on March 31, 2019 amounted to approximately RMB540,000.

(11) *Movie Card Cooperation Agreement*

On August 14, 2018, Hangzhou Aurora entered into the movie card cooperation agreement (the "Movie Card Cooperation Agreement") with Ant Zhixin, for a term commenced from August 14, 2018 and ended on March 31, 2019. Pursuant to the Movie Card Cooperation Agreement, Hangzhou Aurora and Ant Zhixin agreed to jointly launch the movie cards, which would be sold by Hangzhou Aurora to individual users of Credit Pay (花唄) (a consumer credit product launched by Ant Financial) to entitle the holders of the movie cards to special discounts for purchase of movie tickets on Tao Piao Piao (the online ticketing platform operated by the Group). Ant Zhixin agreed to pay promotion service fees to Hangzhou Aurora for the cooperation under the Movie Card Cooperation Agreement, and the annual cap of the promotion service fees under the Movie Card Cooperation Agreement for the financial year ended March 31, 2019 is RMB20,000,000. The actual promotion service fees payable by Ant Zhixin to Hangzhou Aurora under the Movie Card Cooperation Agreement for the financial year ended March 31, 2019 amounted to approximately RMB6,742,000.

(12) *Sublease Agreements*

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

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

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(12) *Sublease Agreements* *(Continued)*

For the financial years ending March 31, 2019, March 31, 2020 and March 31, 2021, the annual caps of the base rent under the Sublease Agreement I are US$300,312.52, US$525,626.51 and US$541,377.68, respectively; and the annual caps of the additional rent under the Sublease Agreement I are US$100,000, US$100,000 and US$100,000, respectively. The actual rents (including base rent and additional rent) incurred under the Sublease Agreement I for the financial year ended March 31, 2019 amounted to approximately US$373,000

For the financial years ending March 31, 2019, March 31, 2020 and March 31, 2021, the annual caps of the base rent under the Sublease Agreement II are US$23,723.69, US$39,390.29 and US$40,570.68, respectively; and the annual caps of the additional rent under the Sublease Agreement II are US$33,213.17, US$55,146.41 and US$56,798.96, respectively. The actual rents (including base rent and additional rent) incurred under the Sublease Agreement II for the financial year ended March 31, 2019 amounted to approximately US$24,000.

(13) *Renewed 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 the Company to support the Target Business. Initial term for the Original Shared Services Agreement was three years commenced from December 31, 2015 and ended on December 30, 2018. The annual caps in respect of the service fees (inclusive of any applicable tax) payable by the Group for the first, second and third 12-month periods during the initial term of three years under the Original Shared Services Agreement are RMB32,000,000, RMB37,000,000 and RMB46,000,000, respectively. The actual fees paid/payable by the Group under the Original Shared Services Agreement (i) for the first 12-month period ended December 30, 2016 amounted to approximately RMB16,856,000, (ii) for the second 12-month period ended December 30, 2017 amounted to approximately RMB31,552,000, and (iii) for the third 12-month period ended December 30, 2018 amounted to approximately RMB45,932,000 (of which approximately RMB32,483,000 was attributable to the period from April 1, 2018 to December 30, 2018).

On December 31, 2015, the Company entered into the 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. The annual caps in respect of the service fees (inclusive of any applicable tax) payable by the Group for the first, second and third 12-month periods during the term of three years under the Transitional Arrangement Agreement are RMB5,000,000, RMB2,500,000 and RMB1,500,000, respectively. The actual fees paid/payable by the Group under the Transitional Arrangement Agreement (i) for the first 12-month period ended December 30, 2016 amounted to approximately RMB4,894,000, (ii) for the second 12-month period ended December 30, 2017 amounted to approximately RMB2,187,000 and (iii) for the third 12-month period ended December 30, 2018 amounted to approximately RMB491,000 (of which approximately RMB246,000 was attributable to the period from April 1, 2018 to December 30, 2018).

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(13) *Renewed Shared Services Agreement* *(Continued)*

On December 31, 2018, the Company entered into another shared services agreement (the "Renewed Shared Services Agreement") with AGH upon the expiry of the Original Shared Services Agreement, pursuant to which AGH agreed to procure the service providers (being AGH and its affiliates as set out in 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 has a term commenced from December 31, 2018 and ending on March 31, 2021. The annual caps in respect of the service fees (inclusive of any applicable tax) payable under the Renewed Shared Services Agreement for the period from December 31, 2018 to March 31, 2019 and each of the two financial years ended March 31, 2020 and 2021 are RMB14,000,000, RMB59,000,000 and RMB65,000,000, respectively. The actual service fees paid/payable by the Company to AGH for the services under the Renewed Shared Services Agreement for the period from December 31, 2018 to March 31, 2019 amounted to approximately RMB13,137,000.

(14) Promotion Cooperation Framework Agreement

On January 25, 2019, Shanghai TPP entered into the promotion cooperation framework agreement (the "Promotion Cooperation Framework Agreement") with Shanghai Rajax, a consolidated entity of AGH, for a term commenced from January 25, 2019 and ending on March 31, 2020. Pursuant to the Promotion Cooperation Framework Agreement, Shanghai TPP and Shanghai Rajax agreed to provide advertising resources and/or services to each other for promoting brand names of the other party and/or their respective clients on their respective apps/platforms on the basis that the total market prices of such advertising resources and/or services provided to each other are equal, subject to the annual caps of the market price of the advertising resources and/or services concerned, and thus neither party has to pay the other party any cash consideration. Under the Promotion Cooperation Framework Agreement, the annual caps of the market prices of the advertising resources and/or services provided by Shanghai Rajax to Shanghai TPP are the same as those for the market prices of the advertising resources and/or services provided by Shanghai TPP to Shanghai Rajax, which are RMB11,700,000 for the period commenced from January 25, 2019 and ended on March 31, 2019, and RMB43,200,000 for the financial year ending March 31, 2020. The total market prices of the advertising resources and/or services provided by Shanghai TPP and Shanghai Rajax to each other under the Promotion Cooperation Framework Agreement for the period commenced from January 25, 2019 and ended on March 31, 2019 amounted to approximately RMB4,280,000.

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.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

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 paragraph 14A.56 of the Listing Rules.

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

(i) have not been approved by the Board;

(ii) as 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, 2019.

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

* *For identification purposes 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.*

CONTRACTUAL ARRANGEMENTS

Overview

Applicable PRC laws and regulations currently in force restrict foreign investment in businesses involving movie production and distribution, radio and television programs production and operation, and cinema operation. According to the Catalogue for Guidance of Foreign Investment (外商投資產業指導目錄) and 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)), 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. In addition, foreign investors are generally restricted from owning more than 49% of equity interest in any companies that is engaged in cinema operation, except for in certain cities and certain service providers that satisfy the definition of "service providers" as specified by the Arrangements for Establishing Closer Economic and Trade Relation between Mainland China and Hong Kong as well as the Arrangements for Establishing Closer Economic and Trade Relations between Mainland China and Macau.中聯盛世文化(北京)有限公司 ("Zhonglian Shengshi") and 杭州晨熹多媒體科技有限公司 ("Hangzhou Aurora") (together, the "Subsidiaries"), subsidiaries of the Company and foreign owned enterprises, are therefore not able to obtain licenses to engage in the businesses as mentioned above.

DIRECTORS' REPORT

CONTRACTUAL ARRANGEMENTS *(Continued)*

Overview *(Continued)*

As a result, the Group currently conducts its domestic entertainment content production, distribution, cinema operation and investment businesses through (i) 中聯京華文化傳播(北京)有限公司 ("Zhonglian Jinghua"), (ii) 北京阿里淘影視文化有限公司 ("Beijing Ali Tao") and (iii) 上海淘票票影視文化有限公司 ("Shanghai Tao Piao Piao"), (together, the "OPCOs") by themselves or through their subsidiaries. The Group, through the Subsidiaries, has entered into three sets of contractual arrangements (the "Structured Contracts") with each of the OPCOs, the major terms of which are substantially the same. The Structured Contracts, through which the Company obtains control over and derives economic benefits from the OPCOs, have been narrowly tailored to achieve the Group's business objectives in domestic content production, distribution, cinema operation and investment while minimizing the potential conflict with relevant PRC laws and regulations.

By virtue of the Structured Contracts, the financial position and results of operations of Zhonglian Jinghua, Beijing Ali Tao and Shanghai Tao Piao Piao were consolidated into our financial position and results of operations as they are regarded as indirect subsidiaries of the Group under HKFRS 10 during the Reporting Period. 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 Permit to Operate the Projection of Movies (電影放映經營許可證), as well as some of our intellectual property rights, the OPCOs and their subsidiaries are significant to our Group. For the financial year ended March 31, 2019, the OPCOs and their subsidiaries contributed approximately 38% of the Group's total revenue. Please refer to "Revenue and assets involved in Structured Contracts" below for more details.

During the financial year ended March 31, 2019, there was no material change in the Structured Contracts and/or the circumstances under which they were adopted, and none of the Structured Contracts has been unwound as the regulatory restrictions that led to their adoptions were not removed. In the view of the Company's PRC legal advisers, the arrangement of the Structured Contracts does not violate applicable PRC laws and regulations. The Company is also advised that there are uncertainties regarding the interpretation and application of the currently applicable PRC laws, rules, and regulations.

Particulars of the OPCOs and their Registered Owners

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

Name of OPCO	Registered Owners	Registered Capital	Principal Activities
Zhonglian Jinghua	50% by Zhang Yong (張勇) 50% by Jiang Fang (蔣芳)	RMB10 million	Investment holding
Beijing Ali Tao	50% by Zhang Yong (張勇) 50% by Jiang Fang (蔣芳)	RMB99 million	Investment holding
Shanghai Tao Piao Piao	50% by Zheng Jun Fang (鄭俊芳) 50% by Ni Xing Jun (倪行軍)	RMB10 million	Film investment; film distribution; ticketing agency; technological consultation, technology transfer and technological services in the professional field of network technology; e-commerce

DIRECTORS' REPORT

CONTRACTUAL ARRANGEMENTS *(Continued)*

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

The following table sets forth 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 Asian Union Culture Media Investment Co., Ltd. (北京中聯華盟文化傳媒投資有限公司)	Zhonglian Jinghua	100%	Film distribution, film production; performance brokerage; production of broadcasting & television programs
Beijing Ren He Ren Culture Co., Ltd. (北京人和人文化有限公司)	Zhonglian Jinghua	100%	Organizing cultural and art exchange events (excluding performances); design, production, agency sale and release of advertisements
Tianjin Tangtu Technology Co., Ltd. (天津唐圖科技有限公司)	Zhonglian Jinghua	51%	Development, consultation, services and transfer of electronic information technologies; software production
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
Huameng (Tianjin) Culture Media Co., Ltd. (formerly known as Huameng (Tianjin) Culture Investment Co., Ltd.) (華盟(天津)文化傳媒有限公司) (前稱「華盟(天津)文化投資有限公司」)	Beijing Asian Union Culture Media Investment Co., Ltd.	100%	Production of broadcasting & television programs
Alibaba Shouquanbao (Tianjin) Culture Communication Co., Ltd. (formerly known as Asian Union (Tianjin) Advertising Co., Ltd.) (阿里巴巴授權寶(天津)文化傳播有限公司) (前稱「中聯華盟(天津)廣告有限公司」)	Beijing Asian Union Culture Media Investment Co., Ltd.	100%	Advertising and sale of entertainment related merchandise and derivatives, production of broadcasting & television programs
Ren He Ren (Tianjin) Advertising Co., Ltd. (人和人(天津)廣告有限公司)	Beijing Ren He Ren Culture Co., Ltd.	100%	Engaging in advertisement business; organizing cultural and art exchange events (excluding performances)

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

Zhejiang Dongyang Xiaoyuzhou Movie & Media Co., Ltd. (浙江東陽小宇宙影視傳媒有限公司)	Beijing Ali Tao	100%	Investment in and 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

DIRECTORS' REPORT

CONTRACTUAL ARRANGEMENTS *(Continued)*

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

Name of Subsidiary	Holding Company	Ownership	Principal Activities
Zhejiang Dongyang Alibaba Pictures Co., Ltd. (浙江東陽阿里巴巴影業有限公司)	Beijing Ali Tao	100%	Investment in and production and distribution of film and TV copyrights; investment management
Alibaba Pictures (Beijing) Co., Ltd. (阿里巴巴影業 (北京) 有限公司)	Beijing Ali Tao	100%	Investment in and production and distribution of film and TV copyrights
Tianjin Alibaba Pictures Development Co., Ltd. (天津阿里巴巴影業發展有限公司)	Beijing Ali Tao	100%	Construction of cinemas; management and leasing of commercial facilities; engaging in advertisement business; ticketing agency; selling and leasing of audio and visual, cultural and entertainment facilities
Tianjin Junsheng Pictures Management Co., Ltd. (天津駿聲影業管理有限公司)	Tianjin Alibaba Pictures Development Co., Ltd.	100%	Construction of cinemas; management and leasing of commercial facilities; engaging in advertisement business; ticketing agency; selling and leasing of audio and visual, cultural and entertainment facilities
Hangzhou Xingji Media Culture Co., Ltd. (杭州星際影視文化有限公司)	Tianjin Junsheng Pictures Management Co., Ltd.	80%	Operation and management of cinema
Shanxi Xingjihui Movie & TV Culture Co. Ltd. (山西星際匯影視文化有限公司)	Hangzhou Xingji Media Culture Co., Ltd.	100%	Operation and management of cinema
Nanjing Pairui Cinema Management Co., Ltd. (南京派瑞影院管理有限公司)	Tianjin Junsheng Pictures Management Co., Ltd.	55%	Operation and management of cinema
Chengmai Galaplex Cinema Co., Ltd. (澄邁銀河歡樂影城有限公司)	Nanjing Pairui Cinema Management Co., Ltd.	100%	Operation and management of cinema
Qianwei Galaplex Cinema Co., Ltd. (犍為銀河歡樂影城有限公司)	Nanjing Pairui Cinema Management Co., Ltd.	100%	Operation and management of cinema
Anji Galaplex Cinema Co., Ltd. (安吉銀河歡樂影院有限公司)	Nanjing Pairui Cinema Management Co., Ltd.	100%	Operation and management of cinema
Qingdao Galaplex Cinema Co., Ltd. (青島銀河歡樂影城有限公司)	Nanjing Pairui Cinema Management Co., Ltd.	100%	Operation and management of cinema
Guilin Galaplex Cinema Co., Ltd. (桂林銀河歡樂影城有限公司)	Nanjing Pairui Cinema Management Co., Ltd.	100%	Operation and management of cinema
Urumqi Pairui Cinema Management Co., Ltd. (烏魯木齊派瑞影院管理有限公司)	Nanjing Pairui Cinema Management Co., Ltd.	100%	Operation and management of cinema
Danyang Pairui Cinema Management Co., Ltd. (丹陽派瑞影院管理有限公司)	Nanjing Pairui Cinema Management Co., Ltd.	100%	Operation and management of cinema

DIRECTORS' REPORT

CONTRACTUAL ARRANGEMENTS *(Continued)*

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

Name of Subsidiary	Holding Company	Ownership	Principal Activities
Urumqi Pairui Galaxy Cinema Management Co., Ltd. (烏魯木齊派瑞銀河影院管理有限公司)	Nanjing Pairui Cinema Management Co., Ltd.	100%	Operation and management of cinema
Hangzhou Pairui Cinema Management Co., Ltd. (杭州派瑞影院管理有限公司)	Nanjing Pairui Cinema Management Co., Ltd.	100%	Operation and management of cinema
Xining Galaplex Cinema Co., Ltd. (西寧銀河歡樂影城有限公司)	Nanjing Pairui Cinema Management Co., Ltd.	100%	Operation and management of cinema
Horgos Xiaoyuzhou Media Culture Co., Ltd (霍爾果斯小宇宙影視文化有限公司)	Zhejiang Dongyang Xiaoyuzhou Movie & Media Co., Ltd	100%	Investment in and production and distribution of film & TV copyrights
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, investment consultation
Hangzhou Alibaba Movie & Media 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
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, production of broadcasting & television programs, exhibition
Beijing Taoyukuying Culture Media Co., Ltd. (北京淘娛酷影文化傳媒有限責任公司)	Zhejiang Dongyang Alibaba Pictures Co., Ltd.	51%	Production of broadcasting & television programs
Beijing Lantianheima Culture Media Co., Ltd. (北京藍天黑馬文化傳媒有限公司)	Zhejiang Dongyang Xiaoyuzhou Movie & Media Co., Ltd.	70%	Film Distribution and Marketing
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
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, production of broadcasting & television programs, exhibition

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

Tianjin Tao Piao Piao Weimeng New Media Technology Co., Ltd. (天津淘票票微夢新媒體科技有限公司)	Shanghai Tao Piao Piao	55%	Internet information service & advertising and marketing
Beijing Taoxiu New Media Technology Co., Ltd. 北京淘秀新媒體科技有限公司	Shanghai Tao Piao Piao	80.5%	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), Mr. Zhang Yong and Ms. Jiang Fang (as the registered owners);

(b) Zhonglian Shengshi (as the Company's Subsidiary), Beijing Ali Tao (as the OPCO), Mr. Zhang Yong and Ms. Jiang Fang (as the registered owners); and

(c) Hangzhou Aurora (as the Company's Subsidiary), Shanghai Tao Piao Piao (as the OPCO), Ms. Zheng Jun Fang and Mr. Ni Xing Jun (as the registered owners).

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.

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

(1) Exclusive Consultation and Service Agreements (獨家諮詢與服務協議)

Pursuant to the Exclusive Consultation and Service Agreements, the relevant OPCO agreed to engage the relevant Subsidiary as its exclusive provider of technical support and consultancy services requested by the relevant OPCO from time to time to the extent permitted under the 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 Consultation and Service Agreement.

Each of the Exclusive Consultation and Service Agreement has a term of 20 years and will be automatically renewed for consecutive terms of one year upon expiry unless otherwise notified by the relevant Subsidiary. The relevant Exclusive Consultation and 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 the relevant registered owners as capital contribution to the relevant OPCO or for other purposes as agreed by the relevant Subsidiary. The relevant registered owners, in return for the provision of loans, agreed to enter into an Equity Interest Pledge Agreement with the relevant Subsidiary to pledge all of his or her equity interest in the relevant OPCO as security.

Term of each loan under the relevant Loan Agreement is 20 years from the effective date, or for a period until expiration of the business period of the relevant Subsidiary or the relevant OPCO, whichever is earlier. The relevant registered owners 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 all equity interest held by the relevant registered owners in the relevant OPCO for a consideration equal to the loan amount. The relevant registered owners 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, the relevant registered owners agreed to pledge all their 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 the relevant registered owner. Unless due to the intentional misconduct or gross negligence of the relevant Subsidiary, the relevant Subsidiary shall not be liable for any decrease in value of the pledged interests, and the relevant registered owners 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 the relevant registered owners and allocate the money received for loan prepayment or deposit such money to the relevant Subsidiary's local Notary Office.

The pledge in respect of a OPCO takes effect upon the completion of registration with the competent authority and shall remain valid until all the contractual obligations of the relevant registered owners 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, absent prior written consent of the relevant Subsidiary, the relevant registered owners 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 (授權委託書)

Pursuant to the Powers of Attorney, each of the relevant registered owners irrevocably appointed designee(s) of the Subsidiary or our Company, including any directors of the Subsidiary or our Company who are PRC nationals and who are not related to the shareholders of the relevant OPCO or his/her successor, to act as his/her attorney on his/her behalf to exercise all rights in connection with matters concerning his/her right as shareholder of the relevant OPCO, including but not limited to:

(a) attending the shareholders' meeting of the relevant OPCO as representative of the relevant registered owners;

(b) exercising shareholders' voting right 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 the relevant registered owners sell or transfer all or part of his/her 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 shall remain effective for 20 years and will be automatically renewed for consecutive terms of one year upon expiry unless otherwise notified by the relevant Subsidiary. The Powers of Attorney shall be terminated prior to expiration in the event that the business period of either the relevant Subsidiary or the relevant OPCO expires.

DIRECTORS' REPORT

CONTRACTUAL ARRANGEMENTS *(Continued)*

Structured Contracts in place *(Continued)*

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

Pursuant to the Exclusive Option Agreements, the relevant registered owners 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 the relevant OPCO from the relevant registered owners and/or all or any of the assets 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, each of the registered owners shall transfer all the consideration he/she receives in relation to such transfer of equity interests and assets in the relevant OPCO to the relevant Subsidiary after receiving such consideration, after deduction of applicable taxes and government fees and repayment of any outstanding debt pursuant to the Loan Agreements.

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

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

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

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

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

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

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

DIRECTORS' REPORT

CONTRACTUAL ARRANGEMENTS *(Continued)*

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

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

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

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

- Our exercise of the option to acquire the equity interests of the OPCOs may be subject to certain limitations and the ownership transfer may incur substantial costs.

In view of the regulatory risks associated with the Structured Contracts, the Group follows closely on 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, a material expansion has been achieved over the financial year ended March 31, 2019. With the addition of Yunzhi Software Systems, online movie ticketing and international operations, the Group has diversified its business segments beyond domestic content production, distribution and investment.

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

Revenue and assets involved in Structured Contracts

The following table sets forth (i) revenue and (ii) assets involved in 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 financial year ended March 31, 2019	**Assets (RMB'000) (proportionate% to the Group) As at March 31, 2019**
Zhonglian Jinghua (Consolidated)	623,968 (20.6%)	2,702,300 (16.3%)
Beijing Ali Tao (Consolidated)	486,360 (16%)	454,054 (2.7%)
Shanghai Tao Piao Piao (Consolidated)	43,885 (1.4%)	121,408 (0.7%)

DIRECTORS' REPORT

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at March 31, 2019, 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 Investment Holding Limited ("Ali CV")	Beneficial owner *(Note 1)*	13,488,058,846	Long position	50.65%
Alibaba Investment Limited ("AIL")	Interest of controlled corporation *(Note 1)*	13,488,058,846	Long position	50.65%
Alibaba Group Holding Limited ("AGH")	Interest of controlled corporation *(Note 1)*	13,488,058,846	Long position	50.65%

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, 2019, 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, 2019, the Company had a total of 26,628,822,510 shares in issue.

Save as disclosed above, as at March 31, 2019, there were no other parties who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' INTEREST IN COMPETING BUSINESSES

None of the Directors or 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.

DIRECTORS' REPORT

PRE-EMPTIVE RIGHTS

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

USE OF PROCEEDS FROM ISSUE OF EQUITY SECURITIES

On June 11, 2015, the Company allotted and issued an aggregate of 4,199,570,000 new ordinary shares (the "Placing Share(s)") of nominal value of HK$1,049,892,500 in the capital of the Company to no less than six placees at the placing price of HK$2.90 per Placing Share (the "Placing"). The Directors considered that the Placing represented an opportunity to raise funds for the Company for its business development and to broaden its shareholder base. The closing price of the shares of the Company as quoted on the Stock Exchange was HK$3.62 on June 3, 2015, being the date on which the terms of the Placing were fixed. The net placing price (after deduction of the commissions and expenses relating to the Placing and exclusive of brokerage) was approximately HK$2.89 per Placing Share and the net proceeds from the Placing (after deduction of commissions and expenses related to the Placing) amounted to HK$12.1 billion, which would be used as general working capital and finance potential acquisitions for future media-related investment opportunities.

For the financial year ended March 31, 2019, approximately RMB700 million was used for equity investments and investments of financial assets at fair value through profit or loss and RMB2.4 billion was used to fund working capital. The remaining unutilized proceeds are intended for further funding of business operation and potential investment opportunities. The use or intended use of proceeds is in line with the plan previously disclosed. As at March 31, 2019, the remaining balance amounted to RMB900 million, which is expected to be fully utilised within 1 year.

On March 5, 2019, the Company allotted and issued 1,000,000,000 new ordinary shares of the Company (the "Subscription Share(s)") of nominal value of HK$250,000,000 in the capital of the Company to Ali CV as the Subscriber at the subscription price of HK$1.25 per Subscription Share (the "Subscription"). The Directors considered that the Subscription would further strengthen the collaboration between the Company and Alibaba Group's other media content and distribution businesses and lay down a more solid foundation for the Company's future business development. The closing price of the shares of the Company as quoted on the Stock Exchange was HK$1.23 on December 8, 2018, being the last trading day immediately prior to the date on which the terms of the Subscription were fixed. The net proceeds, after deduction of all relevant expenses incidental to the Subscription, were estimated to be approximately HK$1,247,500,000 and the net subscription price per Subscription Share was approximately HK$1.25. The net proceeds from the Subscription would mainly be used for content investment, the further expanding of customer base, sales and marketing activities, selective mergers and acquisitions when opportunities arise, and general corporate purposes. As at March 31, 2019, the net proceeds from the Subscription had not been utilised and are expected to be fully utilised within 5 years.

EQUITY-LINKED AGREEMENTS

Save for the 2012 Share Option Scheme and the Share Award Scheme as disclosed in the section headed "Share Incentive Schemes" of this report on pages 19 to 29, the Company has not entered into any equity-linked agreement for the financial year ended March 31, 2019.

DIRECTORS' REPORT

PURCHASE, SALE OR REDEMPTION OF SHARES

Except that (i) the trustee of the Share Award Scheme purchased a total of 3,000,000 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 and that (ii) 1,000,000,000 shares of the Company were allotted and issued to the Subscriber on March 5, 2019 pursuant to the subscription agreement dated December 9, 2018 entered into between the Company and Ali CV (the "Subscriber"), neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the financial year ended March 31, 2019.

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 54 to 79.

DONATIONS

Donations made by the Group during the financial year ended March 31, 2019 amounted to nil (fifteen months ended March 31, 2018: RMB136,000).

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, 2019 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, May 28, 2019

CORPORATE GOVERNANCE REPORT

Alibaba Pictures Group Limited (the "Company") is committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, accountability and independence. The board (the "Board") of directors of the Company (the "Directors") believes that good corporate governance is essential to the success of the Company and the enhancement of shareholders' value.

Throughout the financial year ended March 31, 2019, the Company has applied and complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), except for certain deviations with considered reasons as explained below.

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

Code provision A.6.7 of the CG Code stipulates that, generally, independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Shao Xiaofeng, the then non-executive Director, was not able to attend the 2018 annual general meeting of the Company held on September 7, 2018 and the special general meeting of the Company held on February 22, 2019 due to his personal engagements during the meeting time.

CORPORATE GOVERNANCE REPORT

THE BOARD

The Board currently comprises seven Directors in total, with two executive Directors ("ED(s)"), two non-executive Directors ("NED(s)") and three independent non-executive Directors ("INED(s)"). The composition of the Board during the financial year ended March 31, 2019 and up to the date of this report is set out as follows:

Executive Directors

Mr. Fan Luyuan *(Chairman & Chief Executive Officer)*
Mr. Meng Jun *(appointed on March 5, 2019)*
Mr. Yu Yongfu *(resigned on March 5, 2019)*
Ms. Zhang Wei *(resigned on March 5, 2019)*

Non-Executive Directors

Ms. Zhang Yu *(appointed on March 5, 2019)*
Mr. Chang Yang *(appointed on March 5, 2019)*
Mr. Li Lian Jie *(resigned on March 5, 2019)*
Mr. Shao Xiaofeng *(resigned on March 5, 2019)*

Independent Non-Executive Directors

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

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

An updated list of Board members identifying their roles and functions is maintained on the websites of the Company and the Stock Exchange. The brief biographical details of the Directors are set out in the "Biographical Information of Directors and Senior Management" section on pages 12 to 14. Save as disclosed therein, there is no financial, business, family or other material relationships among members of the Board.

During the financial year ended March 31, 2019, the NEDs and INEDs provided the Group with a wide range of qualification, expertise and experience through regular attendance and active participation. Their positive contribution brings independent judgment on issues relating to the Group's strategy, performance and management process, taking into account the interests of all Shareholders.

CORPORATE GOVERNANCE REPORT

THE BOARD *(Continued)*

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

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group and to review and approve the Group's annual and interim results. Directors may participate either in person or through electronic means of communications. During the financial year ended March 31, 2019, thirteen (13) Board meetings and two general meetings of the Company were held. The attendance of each Director at Board meetings and general meetings of the Company is set out as follows:

	Number of meetings attended/eligible to attend	
Directors	**Board Meetings**	**General Meetings**
Executive Directors		
Mr. Fan Luyuan *(Chairman & Chief Executive Officer)*	11/13	2/2
Mr. Meng Jun[1]	1/1	N/A
Mr. Yu Yongfu[2]	6/12	1/2
Ms. Zhang Wei[3] *(President)*	8/12	2/2
Non-Executive Directors		
Ms. Zhang Yu[4]	0/1	N/A
Mr. Chang Yang[5]	1/1	N/A
Mr. Li Lian Jie[6]	11/12	2/2
Mr. Shao Xiaofeng[7]	0/12	1/2
Independent Non-Executive Directors		
Ms. Song Lixin	12/13	2/2
Mr. Tong Xiaomeng	10/13	2/2
Mr. Johnny Chen	12/13	2/2

Notes:

1. Mr. Meng Jun was appointed as ED on March 5, 2019. Since his appointment, 1 Board meeting and no general meeting of the Company was held.

2. Mr. Yu Yongfu resigned as ED on March 5, 2019. Prior to his resignation, 12 Board meetings and two general meetings of the Company were held.

3. Ms. Zhang Wei resigned as ED on March 5, 2019. Prior to her resignation, 12 Board meetings and two general meetings of the Company were held.

4. Ms. Zhang Yu was appointed as NED on March 5, 2019. Since her appointment, 1 Board meeting and no general meeting of the Company was held.

5. Mr. Chang Yang was appointed as NED on March 5, 2019. Since his appointment, 1 Board meeting and no general meeting of the Company was held.

6. Mr. Li Lian Jie resigned as NED on March 5, 2019. Prior to his resignation, 12 Board meetings and two general meetings of the Company were held.

7. Mr. Shao Xiaofeng resigned as NED on March 5, 2019. Prior to his resignation, 12 Board meetings and two general meetings of the Company were held.

CORPORATE GOVERNANCE REPORT

THE BOARD *(Continued)*

The Board has reserved for its decision or consideration matters covering mainly the Group's overall strategy, annual operating budget, 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 the day-to-day responsibility to the executive management under the instruction/ 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 their offices held in the public companies or organizations and other significant commitments in order to ensure that their sufficient time and attention can be given 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, 2019, the Board held four (4) regular meetings and nine (9) ad hoc meetings. The Company's daily business operations are under the management of its executive Directors. In addition to regular meetings, the Board will hold ad hoc meetings from time to time as necessitated by business needs in order to consider and resolve all material business or management issues of the Company. At least 14 days' notice of a regular Board meeting is normally given to all Directors who are given an opportunity to include matters for discussion in the agenda. The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least 3 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 in the Company Secretarial Department of the Company and are open for inspection at any reasonable time on reasonable notice by any Director.

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

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

CORPORATE GOVERNANCE REPORT

THE BOARD *(Continued)*

Training and Support for Directors

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

During the financial year ended March 31, 2019 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. Meng Jun *(Appointed on March 5, 2019)*	✔	✔
Mr. Yu Yongfu *(Resigned on March 5, 2019)*	✔	✔
Ms. Zhang Wei *(Resigned on March 5, 2019)*	✔	✔
Non-Executive Directors		
Ms. Zhang Yu *(Appointed on March 5, 2019)*	✔	✔
Mr. Chang Yang *(Appointed on March 5, 2019)*	✔	✔
Mr. Li Lian Jie *(Resigned on March 5, 2019)*	✔	✔
Mr. Shao Xiaofeng *(Resigned on March 5, 2019)*	✔	✔
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 the 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, 2019, and up to the date of this report, the Board (i) adopted the Company's policy on payment of dividends (the "Dividend Policy"); (ii) reviewed the Company's policies on corporate governance and compliance with legal and regulatory requirements; (iii) reviewed and monitored the training and continuous professional development of Directors and the code of conduct of the Company; and (iv) reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

ROLES OF CHAIRMAN AND CHIEF EXECUTIVE

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Fan Luyuan, appointed as the chief executive officer of the Company on August 2, 2017, has also acted as chairman of the Board since October 13, 2017. The Board considers that vesting the roles of both chairman and chief executive officer in the same person will facilitate the development and execution of the Group's business strategies, which will help the Company overcome market challenges and create more value for the Shareholders.

The Board believes that the balance of power and authority under such arrangement would not be impaired and would continue to be adequately ensured by the current Board which comprises experienced and high caliber individuals with sufficient number thereof being independent non-executive Directors.

CORPORATE GOVERNANCE REPORT

NOMINATION, APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Board has adopted a set of 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 the Board continuity and appropriate leadership at Board level.

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

Below is the summary of the Director Nomination Policy:

Selection Criteria

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

Nomination Process

(a) Appointment of New Director

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

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

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

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

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

Where appropriate, the Nomination Committee and/or the Board should make recommendation 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 to shareholders in respect of the proposed re-election of director at the general meeting.

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

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

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in accordance with the Company's policy in appropriate circumstances. Copies of minutes of all meetings and resolutions of the committees, which are kept in 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 three members of the Remuneration Committee, one member is ED and two members are INEDs.

The major roles and functions of the Remuneration Committee are:

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(Continued)*

Remuneration Committee *(Continued)*

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

The Remuneration Committee shall meet at least once a year. Two Remuneration Committee meetings were held in the financial year ended March 31, 2019 and the attendance of each member of the Remuneration Committee is set out as follows:

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

During the financial year ended March 31, 2019, the Remuneration Committee reviewed and recommended for the Board's approval (i) the existing policy and structure for the remuneration of Directors and senior management; (ii) the remuneration packages (including share-based award) of the Directors and senior management; and (iii) the proposed remuneration packages of the newly appointed Directors during the year.

Each current Director, except Mr. Fan Luyuan, Mr. Meng Jun, Ms. Zhang Yu and Mr. Chang Yang who do not receive remuneration from the Company, will be entitled to remuneration which is to be proposed for the Shareholders' approval at the AGM each year. Remuneration payable to the individual Director will be determined with reference to his experience and the prevailing market rate of director's fees. Further remuneration payable to Directors including any other fees to the INEDs for their additional responsibilities and services will be approved by the Board on the recommendation of the Remuneration Committee.

Details of the Directors' remuneration are set out in note 35 to the consolidated financial statements. Details of the remuneration policy of the Group are also set out in the "Employees and Remuneration Policies" section in the Management Discussion and Analysis on page 11.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(Continued)*

Remuneration Committee *(Continued)*

The Company's share option scheme (which was adopted by the Company pursuant to a resolution passed by the Shareholders on May 23, 2002) expired on May 22, 2012. At the AGM held on June 11, 2012, the Shareholders approved the adoption of a new share option scheme. Details of the share option scheme of the Company and the outstanding share options as at March 31, 2019 are set out in the Directors' Report on pages 19 to 24 and note 22 to the consolidated financial statements.

The Company's share award scheme was adopted and amended by the Board on December 30, 2016 and March 29, 2019, respectively. Details of the share award scheme of the Company are set out in the Directors' Report on pages 25 to 29.

Audit Committee

The Audit Committee has been established since August 2001 with a set of revised written terms of reference adopted in 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 on 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 reservation arising from the interim review and final audit, and any matters the external auditor may wish to discuss;

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

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

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

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

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(Continued)*

Audit Committee *(Continued)*

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

The Audit Committee shall meet at least twice a year. Two Audit Committee meetings were held in the financial year ended March 31, 2019 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, 2019, the Audit Committee performed the work summarised 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 fifteen months ended March 31, 2018 (the "<u>2017/18 Final Audit</u>") and the interim results review for the six months ended September 30, 2018 (the "<u>2018/19 Interim Review</u>");

(ii) reviewed the external auditor's report of findings, independent review report and audit completion report in relation to the 2017/18 Final Audit and the 2018/19 Interim Review;

(iii) reviewed and recommended for the Board's approval the Company's consolidated financial statements for the fifteen months ended March 31, 2018 and for the six months ended September 30, 2018 together with the relevant management representation letters;

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

(v) recommended to the Board, for the approval by the Shareholders, of 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 ED and two members are INEDs.

The major roles and function of the Nomination Committee are:

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

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

(iii) to assess the independence of INEDs;

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

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

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

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(Continued)*

Nomination Committee *(Continued)*

The Nomination Committee shall meet at least once a year. Two Nomination Committee meetings were held during the financial year ended March 31, 2019 and the attendance of each member of the Nomination Committee is set out as follows:

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

For the financial year ended March 31, 2019 and up to the date of this report, the Nomination Committee (i) reviewed the Board Diversity Policy and its implementation; (ii) reviewed the structure, size and composition of the Board; (iii) assessed the candidates 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 candidates 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) reviewed and recommended for the Board's approval on the appointment of Mr. Meng Jun as ED and the appointments of Ms. Zhang Yu and Mr. Chang Yang as NED.

Executive Committee

The Executive Committee has been established since December 2004 and currently consists of two executive Directors, namely Mr. Fan Luyuan (Chairman) and Mr. Meng Jun. The Executive Committee is vested with all the general powers of management and control of the activities of the Group as are vested in the Board, save for those matters which are reserved for the Board's decision and approval pursuant to the written terms of reference of the Executive Committee.

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

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

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

CORPORATE GOVERNANCE REPORT

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code.

The Company has also adopted the Model Code to regulate dealings in the securities of the Company by 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.

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, 2019, 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 92 to 100.

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 Group's accounting and financial reporting function, and their training programs and budget.

Risk Management and Internal Control

The Company takes risk management and internal control as 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 while complementing relevant business characteristics. The Company keeps optimizing its organizational structure for risk management and standardizing 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 exposures within manageable bounds.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(Continued)*

Risk Management and Internal Control *(Continued)*

Objectives of Risk Management and Internal Control

Our 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 to keep the Group on course towards delivering on 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. It 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 shareholder investment and the Company's assets at all times.

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 regulatory laws and rules, as well as business integration and innovation within the Group. Centered on its development strategy and within a balanced risk appetite, the Company adheres to operational compliance while adopting rational risk management approaches. In a top-down manner, the Company has established robust and reliable risk management and internal control systems at 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 operation. Step by step, the Company has 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

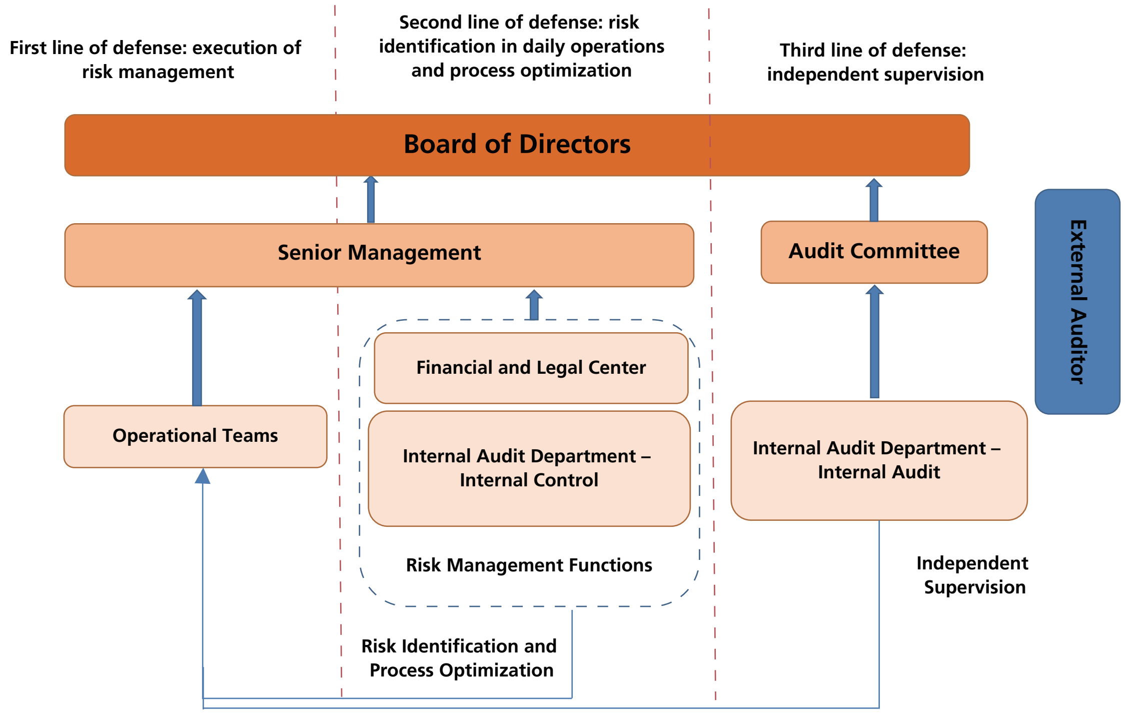
ACCOUNTABILITY AND AUDIT *(Continued)*

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 need 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 the Group as a whole and each business line.

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 the management in designing, implementing and monitoring such risk management system, whose effectiveness is to be assessed annually. An Audit Committee has been established under 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 every half year, it discusses the risk management and internal control systems with the management, monitors and reviews their efficacy, reviews annual audit plans and reports, and, on its own initiative or upon appointment by the Board, studies important findings of investigations on risk management and internal control issues and the management's response to them.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(Continued)*

Risk Management and Internal Control *(Continued)*

Three Lines of Defense for Risk Management

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

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

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

Comprising experienced professionals in risk control and auditing, the Internal Audit Department was established in January 2015. This function reports to the Audit Committee directly, it 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 dedicate itself to improving its risk management framework and ability, to integrating risk management into its business operation more systematically, and to 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 2019 Financial Year

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

In addition, the Company values the establishment and improvement of internal systems related to corporate governance. During the reporting period, not only did the Internal Audit Department execute risk-based internal audits and reviews on important business fields of the Company and corporate-level matters, it also worked with operating units to discuss and rectify weaknesses, with a view to gradually improving the mechanism for internal control.

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

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(Continued)*

Risk Management and Internal Control *(Continued)*

Disclosure of Material Risks

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

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

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(Continued)*

Risk Management and Internal Control *(Continued)*

Disclosure of Material Risks *(Continued)*

Major Risks	Description of Risks	Risk Responses
Industry risks	In light of increasing competition in areas such as content production, promotion and distribution in China's film and television industry, investing in film projects involves many uncertainties that cover multiple aspects, including, among others, project selection, market reception and investment return.	• The Company promotes collaborations featuring complementary resources and the exchange of top industry talents, while fully enhancing its capacity in content production as well as internet-based promotion and distribution through the continuous formation of an ecosystem that covers upstream and downstream activities in the industry value chain; through the development of its internet-based platform for promotion and distribution, as well as the provision of differentiated services, the Company aims to improve its ability to attract and retain customers, while increasing its competitiveness in the market; • By optimizing relevant processes and adopting a "greenlight committee" policy, the Company fully evaluates and makes investment decisions on potential projects in a scientific manner; • Through the full utilization of big data technologies, the Company reinforces its collection of basic data and estimates of industry trends on the one hand, so as to provide guidance for the direction of project selection and content production; • Building on its advantage in data utilization, the Group provides data-based products to customers, addressing their needs through accurate market positioning.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(Continued)*

Risk Management and Internal Control *(Continued)*

Disclosure of Material Risks *(Continued)*

Major Risks	Description of Risks	Risk Responses
Foreign Exchange risks	As the Group holds certain funds denominated in foreign currencies, as well as international entertainment projects and other equity investments offshore, fluctuation in currency exchange rates could result in exchange losses, affecting the Company's balance sheet and financial performance.	• The Company maintains effective communication with its key domestic and overseas banking partners, it stays up-to-date on foreign exchange policies and analyzes exchange rate fluctuations; • By regularly analyzing its exposure to exchange risks in relation to assets denominated in foreign currencies, the Company develops capital management objectives and measures; it also develops customized solutions for projects involving material exchange risks; • The Company maintains a portfolio comprising internal funds denominated in multiple currencies to mitigate overall foreign exchange risks.
Talent management risks	As the Internet, film and television industries rely heavily on talents, the loss of key staff might disrupt the continuity in a certain business area and affect the operating efficiency of the Company.	• The Company keeps an open mind and a flexible structure on talent recruitment; it maintains good business contacts with recruitment media and headhunters to ensure its talent recruitment channels remain unobstructed; • The Company provides a comprehensive system that covers employee training, performance review and promotion, it also offers long-term incentive plans to employees; • By accelerating platform development and reinforcing the education of its corporate values, the Company inspires to create a positive workplace environment and atmosphere.

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 truthful and complete, while at the same time enhancing operational efficiency and effectiveness, and to facilitate the implementation of development strategies. Internal control procedures have been established to safeguard assets against unauthorized use or disposition, to ensure that proper accounting records are maintained to provide reliable financial information for internal use or publication, while ensuring compliance with applicable laws, rules and regulations. During the year, the Company conducted a comprehensive self-review on the risk management and internal control systems and reported its findings to the Audit Committee and the Board, in which no significant deficiencies were identified. The Board believes that, in the financial year ended March 31, 2019, the existing risk management and internal control systems of the Company was sufficient and effective in assuring the interests of the Company and its shareholders.

External Auditor's Remuneration

During the financial year ended March 31, 2019, 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, interim review and special audit)	RMB4,400,000
Non-audit services (including finance advisory)	RMB300,000
Total	RMB4,700,000

COMPANY SECRETARY

The Company has appointed Mr. Ng Lok Ming, William, as its company secretary. Mr. Ng is not an employee of the Company and Mr. Fan Luyuan, the chairman and chief executive officer of the Company, is the contact person at the Company whom Mr. Ng can contact. The company secretary reports to the chairman of the Company and is responsible for advising the Board on governance matters, new director's induction and professional development of Directors as well as ensuring good information flow between the Board members and the compliance of the policy and procedure of the Board.

During the financial year ended March 31, 2019, Mr. Ng confirmed having received relevant professional trainings of not less than 15 hours to update their skills and knowledge.

SHAREHOLDERS' RIGHTS

Pursuant to the Bye-laws, shareholders holding in aggregate not less than 10% of the paid-up capital of the Company shall have the right, by written requisition to the Board or the Company Secretary at 26/F., Tower One, Times Square, 1 Mathesan 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.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS *(Continued)*

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. Shareholders should follow the requirements and procedures as set out in Section 79 of the Bermuda Companies Act for putting forward such proposal at a general meeting.

Pursuant to the Bye-Laws, if a shareholder, who is qualified to attend and vote at the general meeting, wish 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 end no later than seven days prior to the date of such general meeting.

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

The Company's general meetings are valuable forum for the Board to communicate directly with the Shareholders. The Company encourages the participation of the Shareholders through AGMs and other general meetings where the Shareholders meet and exchange views with the Board, and to exercise their rights to vote at meetings. The chairman of any independent board committee formed as necessary or pursuant to the Listing Rules (or if no such chairman is appointed, at least a member of the independent board committee) will also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to the independent Shareholders' approval. In 2018, the AGM was held on September 7, 2018 (the "2018 AGM"). At the 2018 AGM, Mr. Fan Luyuan, the chairman of the Board and the chief executive officer of the Company, was present thereat and answered any questions raised by the Shareholders. A separate resolution is proposed by the chairman of the Board on each substantial issue, including the election of individual Directors, to be considered at the general meetings.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS *(Continued)*

The notice to the Shareholders is to be sent in case of 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 meetings. 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 Company adopted in August 2014 a new set of Bye-laws which is available on the websites of the Stock Exchange and the Company. During the financial year ended March 31, 2019, 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 on the basis of our experience, regulatory changes and developments. Any views and suggestions from our Shareholders to promote and improve our transparency are also welcome.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Overview

This report provides information on the Group's efforts and performance in the environmental, social and governance ("ESG") related aspects for the twelve months ended March 31, 2019 (the "Reporting Period"). This report has been prepared in accordance with the provisions of the *Environmental, Social and Governance Reporting Guide* (the "ESG Guide") as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and covers all business operations of the Group. During the Reporting Period, we continued to pursue various initiatives to enhance sustainable development of the Group. These efforts covered regulatory and environmental aspects, employee benefits, as well as the engagement with users and key stakeholders. We also took an active part in volunteering work and charitable activities, with an aim to improve the social well-being of the local communities in which we operate.

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

Stakeholder Engagement

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Engagement *(Continued)*

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

As an internet-driven company that is constantly upgrading its products and services in the fast growing media and entertainment industry, the Company considers the following areas to be important for its sustainable development and will further elaborate on each item in the ESG Report: (i) emissions, (ii) use of resources, (iii) environmental & natural resources, (iv) employment & labor practices, (v) employee health & safety, (vi) employee development & training, (vii) labor standards, (viii) supply chain management, (ix) product responsibilities, (x) anti-corruption, (xi) community investment, and (xii) Plan A.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL

A1. Emissions

Measures

Since the Group does not operate any factory, we are therefore not expected to be exposed to significant risks in relation to environmental protection in the course of our operation, such as the emission of exhaust and greenhouse gas, water and land pollution, and the generation of hazardous or non-hazardous waste. The PRC laws and regulations on environmental protection are not applicable to our operations.

In honor of its long-standing commitment to promoting resource efficiency through eco-friendly operations, the Group has established the following energy-saving measures:

- Most of our employees are not assigned a desk phone, as they are able to make phone calls on their computers through a software system developed by Alibaba Group Holding Limited.
- The Group also has a battery recycling program in place, through which batteries to be disposed of are sent to charitable organizations for recycling.
- During the Reporting Period, the Group produced no hazardous waste and only a small amount of non-hazardous waste relating to daily administration and office work, mainly including disused ink cartridges, disused toner cartridges, disused computers and disused light tubes. The Group delivers all waste to qualified third parties for treatment.

Waste	**April 2018 – March 2019**
Disused ink cartridges	70
Disused computers	100
Disused light tubes	110

A2. Use of Resources

Measures

As the Group does not operate any factory, we are therefore not expected to incur excessive water or natural gas consumption, or otherwise relevant risks of significance in the course of our operation. The PRC laws and regulations on environmental protection are not applicable to our operations.

We encourage energy saving measures and the practice of green office. To create an eco-friendly office space with lower carbon footprint, we have taken the following measures:

- To minimize paper usage, the Group's printers are set to duplex printing by default, and one-sided printouts are reused as far as practicable.
- To reduce paper cup consumption, the Group uses mugs instead of paper cups at internal and external meetings.
- To prevent waste of water, induction faucets have been installed at washrooms of the Group's offices.
- The Group encourages the substitution of teleconferencing or videoconferencing for business travels. Employees are encouraged to take advantage of public transportation during business trips.
- Most of the Group's documents and files are circulated to employees via email, substantially reducing paper consumption in offices.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A2. Use of Resources

Measures

- In addition to encouraging employees to turn off lights while away, the Group also has in place round-the-clock security services. Security guards are required to turn off lighting devices left on in empty office areas during patrol.

- The Group is not a manufacturing enterprise, it therefore does not consume a large amount of packaging; the Group only uses an extremely small amount of packaging in its daily administration and office work, which is not separately calculated.

- General waste generated by the Group mainly includes paper for office use and domestic waste, all of which is treated by property management companies of the office buildings that the Group occupies in accordance with applicable laws and regulations.

Use of Resources:	April 2018 – March 2019
Electricity consumption (kilowatt hour)	232,031
Gas consumption (liter)	6,800
Water consumption (ton)	38
Paper consumption (ton)	2.5
Domestic waste generated (ton)	2.5
Recycled paper purchased (ton)	0.0042

A3. Environmental & natural resources

Measures

Having taken into account their respective nature, the Group does not create any substantial impact on environmental and natural resources in carrying out its operations. While the PRC laws and regulations on environmental protection are not applicable to its operations, the Group strikes to prevent them from creating any substantial impact on environmental and natural resources.

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL

B1. Employment & labor practices

Measures

Attracting and developing talents is a cornerstone for the sustainable development of the Group. It is our responsibility to safeguard the basic rights and benefits of our employees, prepare them for further development, create career paths for employees with potentials, and provide a good work environment.

(i) Applicable laws and regulations
The Group strictly complies with relevant laws and regulation, including *Labor Law of the People's Republic of China*, *Labor Contract Law of the People's Republic of China*, *Implementation Regulations for the Labor Contract Law of the People's Republic of China, Employment Ordinance* (Chapter 57 of the Laws of Hong Kong) and various local ordinances on labor protection. During the Reporting Period, the Group was not aware of any breach of relevant laws and regulations that caused material impact on the Group in terms of employee employment and dismissal, recruitment and promotion, remuneration, other benefits and entitlement, working hours and leaves, equal opportunities at work, diversity and anti-discrimination.

(ii) Internal rules within the Group
The Group has prepared its *Employee Management Policy*, setting out rules for the staff recruitment of employee operations, standards on daily works, daily working hours, remuneration and benefits, work adjustment and dismissal, equal opportunities at work, policies on staff diversity, as well as awards and penalties.

(iii) Recruitment
At the Group, the concerning department is required to first file an application for recruitment to the head of relevant operation and the Human Resources Department, and only proceed with the recruitment in compliance with its employment plan upon obtaining approval from relevant management personnel. Social recruiting is the primary channel that the Group uses for recruitment, during which the Human Resources Department will verify the identity documents, qualification certificates and past biographical details of all applicants. Once accepted, the Group will enter into an official employment contract with each applicant to protect their benefits.

(iv) Remuneration, other benefits and entitlement
The Group's basic compensation system has been established and maintained in accordance with relevant laws, regulations and market practices. Remuneration packages for our employees are in line with market practice and determined on the basis of their work experience and performance.

In addition to their basic remuneration packages, the Group also takes out various social insurance policies for its employees in accordance with relevant local rules, while making available certain bonuses to motivate high performing employees and advance its business initiatives.

(v) Promotion
The Group takes into account a number of factors in relation to employee promotion, such as:

- whether the employee concerned puts the Group's culture and values into practice, and has a positive influence on others;
- work performance, competence and potential;
- length of service;
- current position or rank;
- disciplinary violation;
- works relating to promotion are organized by the Human Resources Department and subject to evaluation and review by relevant management personnel within the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B1. Employment & labor practices

Measures

(vi) Working hours and leaves

As provided in the Group's *Employee Management Policy*: standard working hours are adopted within the Group, which are 09:00 to 18:00 from Mondays to Fridays, with a lunch break between 12:00 and 13:00.

The Group's employees are entitled to statutory leaves in accordance with the *Employee Leave Policy*, such as annual leave, marriage leave and maternity leave. The Group provides its employees with paid leaves and encourages them to plan their leaves in a reasonable manner.

(vii) Dismissal

Employees may be subject to dismissal if:

(a) they commit material breach of the Employee Management Policy prepared by the Group, such as:

- violation of laws, regulations or public ethics;
- breach of confidentiality obligations, divulging the Group's trade secrets or private information about its employees or customers;
- causing damage to corporate interests;
- conflict of interest;
- submission of false information, and altering, forging documents or certificates of any kind;
- causing material damage to the maintenance of order;
- gross negligence, or failure to perform work tasks in accordance with applicable rules and requirements.

(b) they commit any of the above offences, causing material loss to the Group, such as:

- economic loss;
- damages to reputation;
- penalty from regulatory authorities;
- legal proceedings;
- harm to the safety of any employee, customer or business partner;
- disruption of work or damage to computer network;
- other adverse consequences to the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B1. Employment & labor practices

Measures

(viii) Equal opportunity and anti-discrimination

Adhering to the principles of fairness and equality, the Group provides all employees with equal opportunities, and no employee will be subject to discrimination over personal attributes, such as gender, age or religious belief. The Group has designed a mechanism to facilitate the communication among employees at different levels, it promotes an organizational culture of simplicity and positivity, and it encourages employees to fully express their views and recommendations. Our employees are encouraged to report workplace discriminations that may exist to their seniors or the Human Resources Department.

(ix) Diversity

As provided in the Group's *Principles of Business Conduct*, Alibaba Pictures is committed to providing all employees with equal opportunities and fair remuneration packages based on their contributions to the Company. No form of discrimination against any individual over any reason that is not permitted by law is allowed, and our employees indeed prove to be diversified in a wide range of factors, such as age, gender, industry background and skills.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B2. Employees health & safety

Measures

The Group has always taken the health of its employees, crew and cast members very seriously, it has therefore taken multiple measures to eliminate occupational hazards, including strictly complying with applicable laws and regulations, such as *Labor Law of the People's Republic of China*, *Labor Contract Law of the People's Republic of China*, *Law of the People's Republic of China on Prevention and Control of Occupational Diseases*, *Law of the People's Republic of China on the Protection of Rights and Interests of Women*, *Special Rules on the Labor Protection of Female Employees*, *Regulation on Work-Related Injury Insurance* and *Employees' Compensation Ordinance* (Chapter 282 of the Laws of Hong Kong). During the Reporting Period, there was no breach of relevant laws and regulations that caused material impact on the Group in terms of the provision of a safe workplace and protection to employees against occupational hazards.

- To show its care for employee health and safety, not only does the Group take out insurance policies covering work-related injuries and basic medical expenses for employees in accordance with relevant local laws and regulations, it also offers them the benefit of free physical examination.

- The Group agrees with the producers of its film and TV productions in relevant contracts that they shall comply with all laws and regulations on occupational safety, take out medical insurance covering accidental injuries for crew and cast members during the course of shooting, and take responsibility for all safety matters during the entire filmmaking process.

- In addition to implementing a sound accountability system for safe production and having in place fire-fighting equipment and fire escapes, the Group also enters into relevant fire security agreements with the shooting sites.

B3. Employee development & training

Measures

Focused on helping its employees develop all-round competence, the Group provides them with ample training opportunities to keep improving their professional ethics and work skills.

- All new employees are provided with induction training, through which we aim to teach them about our corporate values and organizational culture, to fully introduce our business operations, and to help them quickly find their own places.

- All employees will be offered the opportunity to participate in professional training sessions or relevant seminars from time to time, which may be presented by representatives from regulatory authorities, industry experts or our internal management team.

- We encourage our employees to cultivate continuous learning, which will not only help with their job-related tasks but also overall personal development.

B4. Labor standards

Measures

In strict compliance with relevant laws and regulations, including *Labor Law of the People's Republic of China*, *Law of the People's Republic of China on the Protection of Minors*, *Compulsory Education Law of the People's Republic of China*, *Labor Contract Law of the People's Republic of China* and *Employment Ordinance* (Chapter 57 of the Laws of Hong Kong), the Group prohibits any form of child and forced labor. During the Reporting Period, there was no breach of relevant laws and regulations that caused material impact on the Group in terms of the prevention of child and forced labor.

For recruitment purposes, all employees of the Group are required to provide identity documents to the Human Resources Department for age verification. Employment of individuals aged below 18 years is not permitted under the Group's recruitment policies.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B5. Supply chain management

Measures

The Group takes procurement management very seriously, it therefore sets stringent requirements on the entry, selection and daily management of suppliers, and urges suppliers to improve their environmental and social performance.

- The Group adheres to fair operating practices through structured supplier selection processes, which not just lay down specific screening criteria, but also help identify potential risks along the Group's supply chain.

- We encourage our suppliers to maintain high standards of business ethics and behavior and satisfactory environmental and social performance.

- When selecting and evaluating suppliers, we take into account factors such as quality system, environmental system, and social responsibility management.

B6. Product responsibilities

Measures

a. Entertainment content in the form of films or drama series

In addition to regulatory and compliance standards with respect to conducting business activities in Mainland China, entertainment content in the form of films or drama series, is also required to be reviewed and approved by relevant regulatory authorities before release. The main executive branch of the PRC Government responsible for examining such content is the State Administration of Press, Publication, Radio, Film and Television of the People's Republic of China (SAPPRFT). The Group's entertainment content (such as films and drama series) is in strict compliance with relevant laws, such as *Copyright Law of the People's Republic of China* and *Film Industry Promotion Law of the People's Republic of China*.

In order to ensure consistent implementation of relevant laws and regulations, the Group has adopted a prudent approach when selecting projects, preferring films about common people that come with major emotional appeals while promoting positive values, so as to ensure that all films and drama series produced by, invested in and distributed by the Group maintain positive and healthy orders. Moreover, the Group's Legal Department will strictly review all documents in the chain of copyright to ensure that the Group's productions are not exposed to copyright infringement. During the Reporting Period, there was no breach of relevant laws and regulations that caused material impact on the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B6. Product responsibilities

Measures

b. Customer protection, privacy and information security

As our online movie ticketing platform, Tao Piao Piao, serves an increasing number of consumers and handles more transactions through continuous expansion, the protection of customer information and data safety remains a priority for the Group. Meanwhile, with the publication and implementation of *Cyber Security Law* and *Personal Information Security Specification* in the PRC, regulatory bodies and the public are also becoming more concerned about privacy issues and the protection of personal data. In order to better protect customer information, the Group strictly complies with requirements under *Cyber Security Law* and *Personal Information Security Specification*. In addition to improving product safety, the Group has also enhanced safety measures related to information collection, storage and disclosure, including:

- Implementation of privacy policy for Tao Piao Piao and Beacon: making clear to our customers that some data would be obtained in the normal course of providing services to them, allowing customers the option to edit or remove their information from our system.

- Strengthening the approval process for data collection and disclosure: the Group has installed a control and prevention system through which it reviews and verifies whether products launched are collecting customer information within reasonable bounds. As for the right to access and disclose sensitive information, an employee is required to obtain approval from his/her supervisor before obtaining such right, in most cases, no information can be disclosed without the approval from data security staff. In the event that such information involves privacy issues, our legal team and senior management team are also required to take part in the evaluation and approval process.

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

During the Reporting Period, the Group was not aware of any breach of relevant laws and regulations that caused material impact on the Group.

c. Internet-based promotion and distribution

In strict compliance with relevant requirements under *Advertising Law of the People's Republic of China*, not only does the Group prudently review all promotional materials, it also provides clearly marked signs for closing purposes, with a view to ensuring that customers' internet experience remains unaffected. During the Reporting Period, the Group was not aware of any breach of relevant laws and regulations that caused material impact on the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B7. Anti-corruption

Measures

Any fraudulent act (including bribery, extortion, fraud and money laundering), will be detrimental to the Group and its stakeholders in damaging their economic benefits, reputations and operations. The Group strictly complies with *Criminal Law of the People's Republic of China*, *Anti-unfair Competition Law of the People's Republic of China*, *Interim Provisions on Banning Commercial Bribery*, *Amendment to the Criminal Law of the People's Republic of China*, *Company Law of the People's Republic of China* and *Prevention of Bribery Ordinance* (Chapter 201 of the Laws of Hong Kong). Detailed rules about prohibiting employees from engaging in fraudulent acts and corresponding punishing measures have been set out in our *Employee Management Policy* and *Principles of Business Conduct*. In order to protect the Group against harms caused by such acts, we have also taken the following measures:

- The Group has designated an anti-corruption taskforce, which is responsible for investigating and assessing any fraudulent act that has come to its attention, and installing necessary protocols to prevent and identify similar acts.
- The Group has provided a number of channels, so any of its employees or external business partners can effectively report any suspected fraudulent act, one of such channels is a dedicated mailbox set up for this purpose, which is available on the Group's website.
- All employees and business partners are encouraged to report any genuine concern about fraudulent acts. The whistle-blowers' identities are protected as part of our standard protocol.
- If any employee were found to have committed corruption or fraud, then appropriate disciplinary actions would follow, including different types of warnings/penalties and outright dismissal. In cases where the offense violates any relevant laws or regulations, such cases will be reported to the authorities.
- We provide informative materials and company policies on standards of business ethics at a designated page in our intranet, where our employees can access easily. From time to time, we also share real-life cases of inappropriate actions on this page, aiming to educate all of our employees and demonstrate the Group's continuous efforts in fighting fraudulent and corruptive acts.
- Our employees are required to pass an annual anti-corruption examination.

During the Reporting Period, the Group strictly complied with all relevant laws and regulations on bribery, extortion, fraud and anti-money laundering, and there was no breach of relevant laws and regulations that caused material impact on the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B8. Community investment

Measures

The Group highly values its social responsibilities, it therefore encourages employees to actively participate in charitable events.

- The Group has adopted the "three hours per person per year" public welfare initiative from Alibaba Group Holding Limited. Each employee is encouraged to contribute at least three hours of volunteer services each year. Employees can choose to volunteer in charitable events organized either by the Company or third-party charitable foundations. The number of hours of volunteering can be filed easily in our internal system and it is also displayed prominently on employees' profiles.

- During the Reporting Period, the Group organized a number of charitable events, including shooting charity films, supporting girl protection and education about preventing child abduction, organizing charity auctions and donating to help poverty-stricken children.

During the Reporting Period, our employees contributed 2,649 hours of volunteer services in charitable events.

B9. Plan A

Measures

The Group continues its efforts to nurture and develop new talents with its Plan A initiatives. Working with several prominent film schools in China, our team discovers young directors with good potentials and provides funding and filmmaking lessons for them to kick-start their projects. On an annual basis, Plan A supports the development of numerous short films and five to ten full-length feature films. Some of these films are documentaries about social welfare with wide-ranging themes, such as education, environmental causes, women's issues and e-commerce. For these projects, the Group will also utilize its promotion and distribution capabilities to help them gain exposure. We believe that a healthy industry ecosystem in which young talents have ample opportunities to gain project experiences and recognitions would be important not only for the sustainable development of the Group, but the entire industry as well.

Selected feature films under Plan A:

Winter After Winter (冬去冬又來). A film directed by Xing Jian, starring Yan Bingyan, was shortlisted for International Film Festival Rotterdam 2019 (Bright Future section) and Göteborg Film Festival 2019 (Ingmar Bergman Competition) and is to be released at the end of 2019.

Koali & Rice (番薯澆米). A feature film produced by Li Shaohong and directed by Ye Qian, starring Grace Guei, was granted the "Work-In-Progress Lab • Wishart Award" at the 2nd Pingyao International Film Festival and is to be released in 2019.

The Inglourious Dogs (野犬筆錄). A suspense film directed by Hao Feihuan, starring Zhang Yu is to be released in 2020.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Alibaba Pictures Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 101 to 227, which comprise:

- the consolidated balance sheet as at March 31, 2019;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at March 31,2019, 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
- Fair value determination for investment in convertible bonds classified as financial asset at "fair value through profit and loss"
- Impairment assessment of film and TV rights

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 – Critical accounting estimates and judgments and Note 15 – Goodwill and intangible assets. For the purpose of the annual impairment assessment of goodwill, management determined the recoverable amounts of all the Group's goodwill based on value in use ("VIU"), which is the present value of the future cash flows expected to be derived from the Group's cash generating units ("CGUs"). An impairment loss on goodwill of RMB21 million was recognized during the year ended March 31, 2019. We focused on this area due to the size of the goodwill balance (RMB3,586 million as at March 31, 2019), and because management's assessment of the recoverable amount of the Group's cash generating units that include the respective goodwill involved significant judgment on the use of estimates.	Our procedures on management's goodwill impairment assessment mainly included: • Evaluated the competence, capabilities and objectivity of the independent valuer engaged by the Group to determine the recoverable amounts of a majority of the Group's CGUs, based on VIU; • Tested the consistency and reasonableness of the data used and challenged management's key assumptions adopted in the future cash flow forecasts, mainly in relation to: – the gross merchandise value ("GMV"), budgeted sales, gross margin and the ratio of market promotion expenses to GMV, by comparing them with actual historical financial data of these CGUs. For the growth rate of GMV and budgeted sales, we also compared to future market growth rate as forecasted and sourced from external parties; – the long term revenue growth rates, by comparing them with the relevant economic and industry forecasts, including certain forecasts sourced from external parties; and – the discount rates, by comparing them with costs of capital of comparable companies. • Evaluated management's sensitivity calculation over the recoverable amounts of these CGUs. Focusing on those few key assumptions to which the calculation was most sensitive, we calculated the degree to which each of these key assumptions would need to change before an impairment conclusion was triggered and discussed the likelihood of such a movement with management. Based on the above, we found the key assumptions adopted in management's estimates of the recoverable amounts to be supported by the evidence we obtained.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Fair value determination for investment in convertible bonds classified as financial assets at "fair value through profit and loss"	
Refer to Note 4 to the consolidated financial statements – Critical accounting estimates and judgments and Note 16 – Financial assets at fair value through profit or loss. As at March 31, 2019, the Group had investment in convertible bonds (issued by a private entity) amounted to RMB1,161 million and such investment was classified as financial assets at fair value through profit and loss ("FVTPL") and was stated at fair value. The fair value determination of investment in convertible bonds required management to make a number of judgments, including the appropriateness of valuation methodology used and adoption of various unobservable input data. Given the significance of the related balance, there is a risk that any small changes in key assumptions could have a significant impact on its fair value and therefore the reported results. As such, this matter is considered an area of focus in the audit.	Our procedures on the valuation of the fair value of investment in convertible bonds included: • Evaluated the competence, capabilities and objectivity of the independent valuer engaged by the Group to determine the fair value of investment in convertible bonds; • Worked with our in-house valuation specialist to assess the appropriateness of the valuation method adopted by the independent valuer; • Tested the consistency and reasonableness of the data used and challenged management's key assumptions adopted in the valuation model, mainly in relation to: – the volatility rate, by comparing it with the standard deviation of historical stock return of comparable companies of the issuer; – the bond discount rate, by comparing it with the cost of debt of comparable bonds; and – the future cash flows of the issuer, by comparing them with actual historical financial data of the issuer. For the growth rate of budgeted sales, we also compared to future market growth rate as forecasted and sourced from external parties. Based on the above, we found the assumptions adopted by management in the fair value assessment to be supported by the evidence we obtained.

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 to the consolidated financial statements – Critical accounting estimates and judgments and Note 17 – Film and TV rights and investments. As at March 31, 2019, the net book value of the Group's film and TV rights amounted to RMB1,050 million. An impairment loss of RMB29 million was recognized during the year ended March 31, 2019. 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 cash flows from these film and TV rights. The impairment assessment of film and TV rights was an area of focus for us given the inherent uncertainties of the future production plans, marketability of the films and TV dramas, and the significant amount of the related balance.	1. Regarding management's estimated future net cash inflows for recoverability assessment of the film and TV rights for which production has been completed, we performed the following procedures, based on the risk profile and significance of the individual balances: • Checked the existence of the distribution licenses for screening of the films and broadcasting of the TV dramas through public and official website of the National Radio and Television Administration; • Discussed with management to understand the basis of the estimated cash flow projections; • Evaluated the reasonableness of the estimated revenue, distribution costs and other cost information prepared by the Group's management by: – for overseas films, corroborating such information to that provided by the relevant film producers; – examining the signed sales contracts of TV dramas; and – comparing the estimated box office, budgeted distribution costs and other costs of films or sales information of TV dramas with historical data of comparable films or TV dramas. We found the assumptions adopted and judgment applied by management were supported by the evidence we obtained.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of film and TV rights *(Continued)*	
	2. Regarding management's recoverability assessment of the film and TV rights for which production has yet to complete, we performed the following procedures, based on the risk profile and significance of the individual balances: • Examined the purchase contracts and related production contracts to check the validity of the purchased copyrights, and discussed with the management to understand their future production plans and distribution plans, which are the basis of future cash flow projections; • Performed specific inquiries with management about the major crew members and their background, experience and profile, and performed relevant search through external sources on media coverage on the related popularity of the original creators of the copyrights and the contents and topics of the in production film or TV dramas to corroborate with management's production plans; and • Evaluated the future cash flow projections about the reasonableness of key estimates on future revenue, distribution costs and other cost information by comparing to historical data of comparable films or TV dramas. We found the assumptions adopted and judgment applied by management were supported by the evidence we obtained.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

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

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

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

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

The audit committee is responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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 Brian Ming Yan Choi.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, May 28, 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	**For the year ended March 31, 2019 RMB'000**	For the fifteen months ended March 31, 2018 RMB'000
Revenue	5	**3,033,844**	3,302,783
Cost of sales and services	8	**(1,267,681)**	(962,954)
Gross profit		**1,766,163**	2,339,829
Selling and marketing expenses	8	**(1,579,233)**	(3,222,608)
Administrative expenses	8	**(896,785)**	(968,885)
Net reversal of impairment losses on financial assets	3.1(b), 8	**21,802**	–
Other income	6	**27,668**	122,037
Other gains, net	7	**163,389**	116,574
Operating loss		**(496,996)**	(1,613,053)
Finance income	10	**251,136**	107,691
Finance expenses	10	**(19,072)**	(291,564)
Finance income/(expenses), net		**232,064**	(183,873)
Share of loss of and gain on dilution of investments accounted for using the equity method	13	**(15,955)**	37,279
Loss before income tax		**(280,887)**	(1,759,647)
Income tax expense	11	**(15,063)**	(35,313)
Loss for the year/period		**(295,950)**	(1,794,960)
Loss attributable to:			
Owners of the Company		**(253,570)**	(1,658,647)
Non-controlling interests		**(42,380)**	(136,313)
Loss per share for loss attributable to owners of the Company for the year/period *(expressed in RMB cents per share)*	12		
– Basic		**(1.00)**	(6.56)
– Diluted		**(1.00)**	(6.56)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended March 31, 2019 RMB'000	For the fifteen months ended March 31, 2018 RMB'000
Loss for the year/period	**(295,950)**	(1,794,960)
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss		
Currency translation differences	**40,372**	(136,355)
Change in the fair value of available-for-sale financial assets, net of tax	**–**	(8,936)
Other comprehensive income/(loss) for the year/period, net of tax	**40,372**	(145,291)
Total comprehensive loss for the year/period	**(255,578)**	(1,940,251)
Attributable to:		
– Owners of the Company	**(213,583)**	(1,803,634)
– Non-controlling interests	**(41,995)**	(136,617)
Total comprehensive loss for the year/period	**(255,578)**	(1,940,251)

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

CONSOLIDATED BALANCE SHEET

		As at March 31	
		2019	2018
	Note	**RMB'000**	RMB'000
Assets			
Non-current assets			
Property, plant and equipment	14	**200,956**	232,378
Goodwill	15	**3,586,047**	3,546,504
Intangible assets	15	**165,803**	158,400
Deferred income tax assets	26	**419**	419
Investments accounted for using the equity method	13	**2,401,989**	2,387,742
Available-for-sale financial assets	2.2	**–**	52,000
Bank deposits with the maturity over one year	20	**50,000**	–
Financial assets at fair value through profit or loss	2.2, 16	**1,954,542**	1,122,587
Trade and other receivables, and prepayments	19	**721,292**	111,250
		9,081,048	7,611,280
Current assets			
Inventories		**660**	756
Film and TV rights and investments	17	**1,325,468**	990,145
Trade and other receivables, and prepayments	19	**1,824,918**	1,156,370
Current income tax recoverable		**6,353**	575
Available-for-sale financial assets	2.2	**–**	666,992
Financial assets at fair value through profit or loss	2.2, 16	**190,017**	–
Cash and cash equivalents	20	**3,341,470**	1,685,719
Bank deposits with the maturity over three months	20	**828,872**	2,740,707
Restricted cash	20	**18,977**	17,719
		7,536,735	7,258,983
Assets classified as held-for-sale		**–**	112,320
		7,536,735	7,371,303
Total assets		**16,617,783**	14,982,583

CONSOLIDATED BALANCE SHEET

	Note	As at March 31 2019 RMB'000	2018 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	25	**712,310**	23,311
Deferred income tax liabilities	26	**42,994**	37,426
Finance lease liabilities		**3,864**	11,986
Trade and other payables, and accrued charges	24	**6,000**	–
		765,168	72,723
Current liabilities			
Trade and other payables, and accrued charges	24	**832,457**	794,247
Contract liabilities		**54,528**	–
Borrowings	25	**5,000**	3,000
Finance lease liabilities		**8,435**	7,979
		900,420	805,226
Liabilities directly associated with assets classified as held-for-sale		**–**	7,735
		900,420	812,961
Total liabilities		**1,665,588**	885,684
Equity			
Equity attributable to owners of the Company			
Share capital	21	**5,377,988**	5,131,405
Reserves		**9,478,455**	8,845,292
		14,856,443	13,976,697
Non-controlling interests		**95,752**	120,202
Total equity		**14,952,195**	14,096,899
Total equity and liabilities		**16,617,783**	14,982,583

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

The financial statements on pages 101 to 227 were approved by the Board of Directors on May 28, 2019 and were signed on its behalf.

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	Investment revaluation 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 fifteen months ended March 31, 2018													
At January 1, 2017		5,081,884	12,063,133	–	168,183	48,527	11,349	9,547	251,434	(716,034)	16,918,023	213,909	17,131,932
Loss for the period		–	–	–	–	–	–	–	–	(1,658,647)	(1,658,647)	(136,313)	(1,794,960)
Other comprehensive loss for the period:													
Change in fair value of available-for-sale financial assets, net of tax		–	–	–	–	–	–	(8,632)	–	–	(8,632)	(304)	(8,936)
Currency translation differences		–	–	–	–	–	(136,355)	–	–	–	(136,355)	–	(136,355)
Total comprehensive loss for the period		–	–	–	–	–	(136,355)	(8,632)	–	(1,658,647)	(1,803,634)	(136,617)	(1,940,251)
Issuance of shares under share award scheme		49,521	214,360	(263,881)	–	–	–	–	–	–	–	–	–
Shares purchased for share award scheme		–	–	(19,526)	–	–	–	–	–	–	(19,526)	–	(19,526)
Shares vested under share award scheme		–	–	134,971	–	–	–	–	(134,971)	–	–	–	–
Value of employee services provided under share option scheme and share award scheme	22	–	–	–	–	–	–	–	108,921	–	108,921	–	108,921
Value of employee services provided in relation to share-based payment transactions with Alibaba Group Holding Limited ("AGHL")	9(b),22	–	–	–	–	–	–	–	12,469	–	12,469	–	12,469
Acquisition of non-controlling interests in subsidiaries		–	–	–	(1,242,359)	–	–	–	–	–	(1,242,359)	(91,892)	(1,334,251)
Non-controlling interests arising on business combinations		–	–	–	–	–	–	–	–	–	–	65,631	65,631
Non-controlling interests arising on newly established subsidiaries		–	–	–	–	–	–	–	–	–	–	28,910	28,910
Disposal of certain equity interest in a subsidiary without loss of control		–	–	–	2,803	–	–	–	–	–	2,803	38,724	41,527
Others		–	–	–	–	–	–	–	–	–	–	1,537	1,537
As at March 31, 2018		5,131,405	12,277,493	(148,436)	(1,071,373)	48,527	(125,006)	915	237,853	(2,374,681)	13,976,697	120,202	14,096,899

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	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	Investment revaluation 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, 2019													
As at April 1, 2018		5,131,405	12,277,493	(148,436)	(1,071,373)	48,527	(125,006)	915	237,853	(2,374,681)	13,976,697	120,202	14,096,899
Change in accounting policy	2.2	–	–	–	–	–	–	(915)	–	915	–	–	–
Restated total equity at the beginning of the year		5,131,405	12,277,493	(148,436)	(1,071,373)	48,527	(125,006)	–	237,853	(2,373,766)	13,976,697	120,202	14,096,899
Loss for the year		–	–	–	–	–	–	–	–	(253,570)	(253,570)	(42,380)	(295,950)
Other comprehensive income for the year:													
Currency translation differences		–	–	–	–	–	39,987	–	–	–	39,987	385	40,372
Total comprehensive income/(loss) for the year		–	–	–	–	–	39,987	–	–	(253,570)	(213,583)	(41,995)	(255,578)
Issuance of shares to Ali CV Investment Holding Limited ("Ali CV")	21	213,385	851,405	–	–	–	–	–	–	–	1,064,790	–	1,064,790
Issuance of shares under share award scheme		33,198	94,739	(127,937)	–	–	–	–	–	–	–	–	–
Shares purchased for share award scheme		–	–	(2,225)	–	–	–	–	–	–	(2,225)	–	(2,225)
Shares vested under share award scheme		–	–	42,692	–	–	–	–	(42,692)	–	–	–	–
Value of employee services provided under share option scheme and share award scheme	22	–	–	–	–	–	–	–	29,173	–	29,173	–	29,173
Value of employee services provided in relation to share-based payment transactions with AGHL	9(b),22	–	–	–	–	–	–	–	1,506	–	1,506	–	1,506
Non-controlling interests arising on business combinations	30	–	–	–	–	–	–	–	–	–	–	4,053	4,053
Non-controlling interests arising on newly established subsidiaries		–	–	–	–	–	–	–	–	–	–	8,570	8,570
Capital injection from non-controlling interests to a non-wholly owned subsidiary		–	–	–	–	–	–	–	–	–	–	14,700	14,700
Disposal of certain equity interest in a subsidiary without loss of control		–	–	–	85	–	–	–	–	–	85	3,399	3,484
Disposal of a subsidiary	29	–	–	–	–	–	–	–	–	–	–	(13,177)	(13,177)
As at March 31, 2019		**5,377,988**	**13,223,637**	**(235,906)**	**(1,071,288)**	**48,527**	**(85,019)**	**–**	**225,840**	**(2,627,336)**	**14,856,443**	**95,752**	**14,952,195**

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, 2019 RMB'000**	For the fifteen months ended March 31, 2018 RMB'000
Cash flows from operating activities			
Cash used in operating activities	28	**(1,358,322)**	(1,736,738)
Income tax paid		**(18,523)**	(25,333)
Net cash outflow from operating activities		**(1,376,845)**	(1,762,071)
Cash flows from investing activities			
Change in available-for-sale financial assets, net		**–**	1,243,200
Change in investments in wealth management products, net		**478,292**	–
Amount received in relation to the restructuring of an associate		**61,487**	405,809
Investment income received		**49,663**	99,931
Interest received		**87,628**	98,495
Refund of investment in an associate	13	**–**	50,000
Disposal of investment in an associate	13	**40,000**	38,403
Interest received on convertible bonds	16	**19,500**	19,500
Proceeds from disposal of property, plant and equipment ("PPE")		**1,411**	1,908
Change in bank deposits with the maturity over three months, net		**1,890,882**	(2,862,070)
Change in bank deposits with the maturity over one year		**(50,000)**	–
Investment in associates and joint ventures	13	**(18,511)**	(201,828)
Investments in financial assets at fair value through profit or loss		**(605,342)**	–
Purchases of PPE		**(50,597)**	(145,896)
Acquisition of subsidiaries, net of cash acquired	30	**(56,944)**	(29,894)
Cash and cash equivalents included in a disposal group classified as held-for-sale		**–**	(821)
Purchase of intangible assets	15	**(8,085)**	(32)
Loan granted to a joint venture		**(49,400)**	–
Loan granted to a third party	19	**(700,000)**	–
Net cash inflow/(outflow) from investing activities		**1,089,984**	(1,283,295)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the year ended March 31, 2019 RMB'000	For the fifteen months ended March 31, 2018 RMB'000
Cash flows from financing activities			
Change in restricted cash in relation to financing activities		**–**	2,007,439
Proceeds from disposal of interest in a subsidiary		**3,484**	41,527
Proceeds from capital inject of non-controlling interests		**23,270**	28,910
Proceeds from capital inject by Ali CV	21	**1,066,925**	–
Proceeds from borrowings	25	**706,921**	26,311
Repayment of borrowings	25	**(3,000)**	(1,980,000)
Acquisition of non-controlling interests in subsidiaries		**–**	(1,334,251)
Shares purchased for share award scheme		**(2,225)**	(19,526)
Interest paid		**(14,683)**	(17,332)
Repayment of finance lease liabilities		**(13,252)**	(4,089)
Transaction costs attributable to issue of shares		**(2,135)**	–
Net cash inflow/(outflow) from financing activities		**1,765,305**	(1,251,011)
Net increase/(decrease) in cash and cash equivalents		**1,478,444**	(4,296,377)
Cash and cash equivalents at beginning of the financial year/ period		**1,685,719**	6,220,966
Exchange gain/(loss) on cash and cash equivalents		**177,307**	(238,870)
Cash and cash equivalents at end of the financial year/ period		**3,341,470**	1,685,719

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

The Company has its primary listing on The Stock Exchange of Hong Kong Limited (the "HK Stock Exchange") and secondary listing on the Singapore Exchange Securities Trading Limited. As at March 31, 2019, the Company is 50.65% 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 AGHL.

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 year/period presented, unless otherwise stated.

2.1 Basis of preparation

On December 12, 2017, the Company changed the financial year end date from December 31 to March 31 to coincide with the natural business cycle of certain business lines of the Group, including its online movie ticketing services and entertainment content promotion and distribution business. Accordingly, the current financial year covers a 12 months period from April 1, 2018 to March 31, 2019 with the comparative fifteen months period from January 1, 2017 to March 31, 2018.

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"). 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 HKFRS 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, 2018:

- HKFRS 9 'Financial Instruments'
- HKFRS 15 'Revenue from Contracts with Customers'
- HKFRS 2 (Amendments) 'Classification and measurement of share-based payment transactions'
- Annual improvements project: Annual Improvements 2014-2016 cycle
- HK(IFRIC)-Int 22 'Foreign currency transactions and advance consideration'

The impact upon the adoption of HKFRS 9 and HKFRS 15 is disclosed in Note 2.2 below.

The adoption of the other amendments to standards and interpretations which were effective for the financial year beginning on April 1, 2018 did not have material impact to the Group.

(b) New standards and amendments not yet adopted

The following new standards and amendments to existing standards have been issued and are mandatory for annual periods beginning on or after January 1, 2019 or later periods, and the Group has not early adopted them:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(b) New standards and amendments not yet adopted *(Continued)*

New standards and amendments	**Effective date**
• HKFRS 16 'Leases'	Annual periods beginning on or after January 1, 2019
• HK(IFRIC)-Int 23 'Uncertainty over income tax treatments'	Annual periods beginning on or after January 1, 2019
• Amendments to HKAS 19 'Employee benefits or plan amendment, curtailment or settlement'	Annual periods beginning on or after January 1, 2019
• Annual improvements project: Annual Improvements to HKFRS Standards 2015-2017 cycle	Annual periods beginning on or after January 1, 2019
• Amendments to HKFRS 3 'Definition of a business'	Annual periods beginning on or after January 1, 2020
• Amendments to HKAS 1 and HKAS 8 'Definition of material'	Annual periods beginning on or after January 1, 2020
Amendments to HKAS 28 'Long term interests in associates and joint ventures'	Annual periods beginning on or after January 1, 2019
• Amendments to HKFRS 9 'Prepayment features with negative compensation'	Annual periods beginning on or after January 1, 2019

None of these standards and amendments to standards is expected to have a significant effect on the financial information of the Group, except for the following:

HKFRS 16, 'Leases'

Nature of change

HKFRS 16 was issued in May 2016. It will result in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(b) ***New standards and amendments not yet adopted*** *(Continued)*

Impact

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last financial year in light of the new lease accounting rules of HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of RMB626,508,000, see Note 31(b). The Group expects total assets and total liabilities will increase not more than 3% and 30% as at April 1, 2019.

Date of adoption by the Group

Mandatory for financial years commencing on or after April 1, 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. All right-of-use assets will be measured at the amount of the lease liabilities on adoption (adjusted for any prepaid or accrued lease expense).

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 'Financial Instruments' and HKFRS 15 'Revenue from Contracts with Customers' on the Group's consolidated financial statements.

(a) ***Impact on the consolidated financial statements***

HKFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The Group used modified retrospective approach while adopting HKFRS 9. The reclassification and adjustments are therefore not reflected in the balance sheet as at March 31, 2018, but are recognized in the opening balance sheet on April 1, 2018.

The Group has adopted HKFRS 15 using the modified retrospective approach and has not restated comparatives for the fifteen months ended March 31, 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policies *(Continued)*

(a) Impact on the consolidated financial statements (Continued)

The following tables show the adjustments recognized for each individual line item. Line items that were not affected by the changes have not been included.

Balance sheet (extract)	March 31, 2018 As originally presented RMB'000	HKFRS 9 RMB'000	HKFRS 15 RMB'000	April 1, 2018 RMB'000
Non-current assets				
Available-for-sale financial assets	**52,000**	**(52,000)**	**–**	**–**
Financial assets at fair value through profit or loss ("FVTPL")	**1,122,587**	**52,000**	**–**	**1,174,587**
Current assets				
FVTPL	**–**	**666,992**	**–**	**666,992**
Available-for-sale financial assets	**666,992**	**(666,992)**	**–**	**–**
Current liabilities				
Trade and other payables, and accrued charges	**794,247**	**–**	**(15,848)**	**778,399**
Contract liabilities	**–**	**–**	**15,848**	**15,848**

The adjustments are explained in more detail by relevant standard as described below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policies *(Continued)*

(b) HKFRS 9 'Financial Instruments' – Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 'Financial Instruments' from April 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognized in the financial information. The new accounting policies are set out in Note 2.11 below.

The total impact on the Group's accumulated losses as at April 1, 2018 is as follows:

	Note	Accumulated losses RMB'000
Closing balance at March 31, 2018		**(2,374,681)**
Reclassify investments from available-for-sale financial assets to FVTPL	(i)	**915**
Opening balance at April 1, 2018		**(2,373,766)**

(i) Classification and measurement

On April 1, 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

	Note	FVTPL – Current RMB'000	FVTPL – Non-current RMB'000	Available-for-sale financial assets RMB'000
Closing balance at March 31, 2018		**–**	**1,122,587**	**718,992**
Reclassify debts instruments from available-for-sale financial assets to FVTPL	(1)	**666,992**	**–**	**(666,992)**
Reclassify equity instruments from available-for-sale financial assets to FVTPL	(1)	**–**	**52,000**	**(52,000)**
Opening balance at April 1, 2018		**666,992**	**1,174,587**	**–**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policies *(Continued)*

(b) HKFRS 9 'Financial Instruments' – Impact of adoption (Continued)

(i) Classification and measurement (Continued)

The impact of these changes on the Group's equity is as follows:

	Note	Effect on investment revaluation reserve RMB'000	Effect on accumulated losses RMB'000
Closing balance at March 31, 2018		**915**	**(2,374,681)**
Reclassify investments from available-for-sale financial assets to FVTPL	(1)	**(915)**	**915**
Opening balance at April 1, 2018		**–**	**(2,373,766)**

Note:

(1) Reclassification from available-for-sale financial assets to FVTPL

The Group's debts investments in wealth management products and unlisted equity investments were reclassified from available-for-sale financial assets to FVTPL (RMB666,992,000 and RMB52,000,000, respectively, as at April 1, 2018). Related fair value gains of RMB915,000 were transferred from the investment revaluation reserve to accumulated losses on April 1, 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policies *(Continued)*

(b) HKFRS 9 'Financial Instruments' – Impact of adoption (Continued)

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss model.

- Trade receivables
- Other receivables

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's accumulated losses and equity was immaterial.

While cash and cash equivalents, restricted cash and bank deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the HKFRS 9 simplified approach in measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. On that basis, there was no significant increase in the loss allowance for trade receivables which will be adjusted to the beginning balance of accumulated losses as at April 1, 2018.

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

Other receivables

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition by considering available, reasonable and supportive forwarding-looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Changes in accounting policies *(Continued)*

(b) HKFRS 9 'Financial Instruments' – Impact of adoption (Continued)

(ii) Impairment of financial assets *(Continued)*

Other receivables (Continued)

The Group has applied the expected credit loss model to other receivables as at April 1, 2018 and the change in impairment methodologies did not have any material impact on the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

(c) HKFRS 15 'Revenue from Contracts with Customers' – Impact of adoption

The Group has voluntarily changed the presentation of certain amounts in the balance sheet to reflect the terminology of HKFRS 15. In summary, the following adjustments were made to the amounts recognized in the balance sheet at the date of initial application (April 1, 2018):

	HKAS 18 carrying amount at March 31, 2018 RMB'000	Reclassification RMB'000	HKFRS 15 carrying amount at April 1, 2018 RMB'000
Current Liabilities			
Trade and other payables, and accrued charges	**794,247**	**(15,848)**	**778,399**
Contract liabilities	**–**	**15,848**	**15,848**

The adoption of HKFRS 15 does not have any impact on the Group's accumulated losses as at April 1, 2018. The new accounting policies are set out in Note 2.26 below.

2.3 Subsidiaries

2.3.1 Consolidation

A subsidiary is an entity (including a structured entity) 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 over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries *(Continued)*

2.3.1 Consolidation (Continued)

(a) Control over a subsidiaries arising from contractual arrangements

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

– exercise effective financial and operational control over the OPCOs;

– exercise equity holders' voting rights of the OPCOs;

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries *(Continued)*

2.3.1 Consolidation *(Continued)*

(b) Business combinations

The Group applies the acquisition method to account for business combinations, including business combination involving entities under common control and other business combination. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in all business combinations are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

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.

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.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with HKFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries *(Continued)*

2.3.1 Consolidation (Continued)

(b) Business combinations (Continued)

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 identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated statement of profit or loss.

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.

(c) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Group.

(d) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries *(Continued)*

2.3.2 Separate financial statements

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

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

2.4 Associates and joint arrangements

(i) 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 (iii) below), after initially being recognized at cost.

(ii) 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 (iii) below), after initially being recognized at cost.

(iii) 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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Associates and joint arrangements *(Continued)*

(iii) ***Equity method*** *(Continued)*

The Group determines at each reporting date whether there is any objective evidence that the investment in the equity-accounted investment is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the equity-accounted investment and its carrying value and recognizes the amount adjacent to 'share of profit/(loss) of investments accounted for using the equity method' in the consolidated statement of profit or loss.

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

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

(iv) ***Changes in ownership interests***

When the Group ceases to equity account for an investment because of a loss of 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 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.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

2.5 Segment reporting

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional 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 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 statement of profit or loss within 'finance income' or 'finance expenses'.

(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 recognised 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Foreign currency translation *(Continued)*

(c) ***Group companies*** *(Continued)*

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.

2.7 Property, plant and equipment

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Intangible assets

(a) Goodwill

Goodwill arises 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 programmes and films in the PRC have indefinite useful lives. The renewal of these licences are subject to the approval of the respective bureau. In the opinion of the directors of the Company, the renewal of these licences will continuously 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 it may be impaired (Note 2.9).

Licences with a finite useful life are related to ticketing system, 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.

(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 1~12 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Intangible assets *(Continued)*

(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 3-11 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 programmes 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 Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non-current asset (or disposal group) is recognized at the date of derecognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Non-current assets (or disposal groups) held-for-sale and discontinued operations *(Continued)*

Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held-for-sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held-for-sale continue to be recognized.

Non-current assets classified as held-for-sale and the assets of a disposal group classified as held-for-sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held-for-sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held-for-sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

2.11 Financial assets

(a) HKFRS 9 'Financial Instruments' – Accounting policies applied from April 1, 2018

(i) Investments and other financial assets

Classification

From April 1, 2018, the Group classifies its financial assets in the following measurement categories:

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

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income ("OCI"). 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").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Financial assets *(Continued)*

(a) HKFRS 9 'Financial Instruments' – Accounting policies applied from April 1, 2018 (Continued)

(i) Investments and other financial assets (Continued)

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, 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.

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, net', together with foreign exchange gains and losses. Impairment losses are presented as 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, net. Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in 'other gains, net' and impairment expenses are presented as separate line item in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Financial assets *(Continued)*

(a) HKFRS 9 'Financial Instruments' – Accounting policies applied from April 1, 2018 *(Continued)*

(i) Investments and other financial assets (Continued)

Debts instruments (Continued)

- 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, 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, net in the consolidated statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From April 1, 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Financial assets *(Continued)*

(b) Accounting policies applied until March 31, 2018

(i) Classification

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until March 31, 2018 the Group classified its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables, and
- available-for-sale financial assets.

The classification determined on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition. The Group had financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

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

Financial assets at fair value through profit or loss were financial assets held for trading. A financial asset was classified in this category if acquired principally for the purpose of selling in the short term. Derivatives were also categorised as held for trading unless they are designated as hedges. Assets in this category were classified as current assets if expected to be settled within 12 months; otherwise, they were classified as non-current.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Financial assets *(Continued)*

(b) ***Accounting policies applied until March 31, 2018*** *(Continued)*

(i) Classification (Continued)

(1) Financial assets at fair value through profit or loss (Continued)

Financial assets were designated as at fair value through profit or loss upon initial recognition when:

– the financial assets were managed, evaluated and reported internally on a fair value basis; and

– the designation eliminates or significantly reduced the discrepancies in the recognition or measurement of relevant gains or losses arising from the different basis of measurement of the financial assets.

If the financial assets contained one or more embedded derivatives, they were designated as at fair value through profit or loss unless:

– the embedded derivatives did not significantly modify the cash flows that would otherwise be required under the contract; or

– it was clear with little or no analysis when a similar hybrid (combined) instrument was first considered that separation of the embedded derivatives was prohibited.

(2) Loans and receivables

Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. They were included in current assets, except for the amounts that were settled or expected to be settled more than 12 months after the end of the reporting period. These were classified as non-current assets. The Group's loans and mainly receivables comprised 'trade and other receivables', 'cash and cash equivalents', 'bank deposits with the maturity over three months' and 'restricted cash' in the consolidated financial statements.

(3) Available-for-sale financial assets

Available-for-sale financial assets were non-derivatives that were either designated in this category or not classified in any of the other categories. They were included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Financial assets *(Continued)*

(b) Accounting policies applied until March 31, 2018 (Continued)

(ii) Recognition and measurement

Regular way purchases and sales of financial assets were recognized on the trade-date – the date on which the Group committed to purchase or sell the asset. Investments were initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs were expensed in the statement of profit or loss. Financial assets were derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group had transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss were subsequently carried at fair value. Loans and receivables were subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category were presented in the consolidated statement of profit or loss within 'other gain/(losses), net' in the period in which they arose. Dividend income from financial assets at fair value through profit or loss was recognized in the consolidated statement of profit or loss as part of other income when the Group's right to receive payments was established.

Changes in the fair value of monetary and non-monetary securities classified as available for-sale were recognized in other comprehensive income.

When securities classified as available-for-sale were sold or impaired, the accumulated fair value adjustments recognized in equity were included in the consolidated statement of profit or loss within 'other gains/(losses), net'.

Interest on available-for-sale securities calculated using the effective interest method was recognized in the consolidated statement of profit or loss as part of other income. Dividends on available-for-sale equity instruments were recognized in the statement of profit or loss as part of other income when the Group's right to receive payments was established.

At March 31, 2018, the Group's available-for-sale financial assets included certain interests in an unlisted fund which do not have quoted market prices in an active market and for which the range of other methods of reasonably estimating fair value was significant and the probabilities of the various estimates could not be reasonably assessed. Accordingly, this investment was carried at cost less accumulated impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Financial assets *(Continued)*

(b) ***Accounting policies applied until March 31, 2018*** *(Continued)*

(iii) *Impairment*

(a) *Assets carried at amortized cost*

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognized in the consolidated statement of profit or loss. If a loan had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss was recognized in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Financial assets *(Continued)*

(b) ***Accounting policies applied until March 31, 2018*** *(Continued)*

(iii) *Impairment (Continued)*

(b) *Assets classified as available-for-sale*

The Group assesses at the end of each reporting period whether there was objective evidence that a financial asset or a group of financial assets was impaired.

For debt securities, if any such evidence existed the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – was removed from equity and recognized in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase could be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss was reversed through the consolidated statement of profit or loss.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost was also evidence that the assets were impaired. If any such evidence existed the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – was reclassified from equity and recognized in profit or loss. Impairment losses recognized in the consolidated statement of profit or loss on equity instruments were not reversed through the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Offsetting financial instruments

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

2.13 Inventories

Inventories, representing merchandize goods, are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods comprises costs of merchandise and other direct costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Film and TV rights and investments

(a) Film and TV rights

These represent legal rights of films, television programmes and television drama series acquired and invested by the Group. These rights are stated at cost less accumulated amortization and identified impairment loss. 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, fees for the reproduction films and TVs. 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 ranged from within one year to three years after the showing of the respective films, or the delivery of master tapes of the respective TVs.

Impairment assessment of the film and TV rights is assessed on an annual basis or whenever events or changes in circumstances indicate that the carrying amount is below the recoverable amount, where relevant, an impairment loss is recognized to reduce the asset to its recoverable amount. Such impairment loss is recognized in the consolidated statement of profit or loss. The recoverable amounts of the film and TV rights are determined and reviewed on a title-by-title basis and are based on the higher of FVLCD and VIU which include unobservable inputs and assumptions derived from the Group.

(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 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 film and TV investments that are not solely payments of principal and interest are carried at fair value and included in "film and TV rights and investments" in the consolidated balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 Film deposits

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

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

2.16 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 in one 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 19 or further information about the Group's accounting for trade receivables and Note 3.1 for a description of the Group's impairment policies.

2.17 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.

2.18 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 trustee under the share award scheme of the Company ("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 the Share Award Scheme and deducted from total equity. Upon vesting, the related costs of the vested shares for the share Award Scheme issued or purchased from the market are credited to shares held for the Share Award Scheme, with a corresponding decrease in share-based compensation reserve for the Share Award Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 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 one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.20 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 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.

2.21 Borrowing costs

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

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

Current and deferred tax is recognized in 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(b) Termination benefits

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

(c) Bonus plans

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Share-based payments

Equity-settled share-based payment transactions

(a) Share options

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

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holdings shares for a specified period of time).

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

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

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

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 effective the date of the forfeiture. No further adjustments should be made after the vesting date, regardless of whether the options are forfeited later.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Share-based payments *(Continued)*

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

(b) Share Award Scheme

The fair value of the awarded Shares 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 effective the 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 2.18).

The Share Award Scheme is administered by Share Award Trust, which is consolidated in accordance with the principles in Note 2.18. 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.

2.25 Provisions

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 genprovisions 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.26 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 service 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.

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.26 Revenue recognition *(Continued)*

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, e-commercial entertainment services.

(1) Revenue from provision of services (including online movie ticketing related services, distribution and promotion services, ticketing system related services and advertising 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 2.14(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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Interest income

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

Interest income on financial assets at amortized cost (For the fifteen months ended March 31, 2018 – loans and receivables) 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).

2.28 Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.29 Dividend income

Dividend income is recognized when the right to receive payment is established.

2.30 Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the 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. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss on a straight-line basis over the period of the lease.

2.31 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 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 statement of profit or loss on a straight line basis over the expected lives of the related assets.

2.32 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(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 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 year ended March 31, 2019 and for the fifteen months ended March 31, 2018.

As at March 31, 2019, the carrying amounts of the Group's monetary assets and liabilities that are denominated in currency other than functional currencies of the respective group entities are as follows:

	March 31, 2019		March 31, 2018	
	HK dollar	**US dollar**	HK dollar	US dollar
	RMB'000	**RMB'000**	RMB'000	RMB'000
Cash and bank balances	**558,124**	**2,297,163**	235	2,548,140
Trade and other receivables	**186**	**43,806**	6,036	12,137
Trade and other payables	**131**	**1,196**	396	604

For the year ended March 31, 2019, if RMB had weakened/strengthened by 5% (The fifteen months ended March 31, 2018: 5%) with all other variables held constant, pre-tax loss would have been RMB144,898,000 lower/higher (The fifteen months ended March 31, 2018: pre-tax loss for the fifteen months would have been RMB128,277,000 lower/higher).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from interest bearing assets and liabilities, mainly including loan receivable and borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and loan receivable held at variable rates. During the year ended March 31, 2019, the Group's borrowings at variable rates were mainly denominated in RMB (The fifteen months ended March 31, 2018: denominated in RMB) while loan receivable at variable rate was denominated in RMB (The fifteen months ended March 31, 2018: nil).

For the year ended March 31, 2019, if interest rates on borrowings and loan receivable had been 100 basis point higher/lower with all other variables held constant, pre-tax loss for the year would have been RMB341,000 higher/lower (The fifteen months ended March 31, 2018: pre-tax loss would have been RMB125,000 higher/lower).

(iii) Price risk

The Group is exposed to price risk in respect of the long-term investments measured at FVTPL held by the Group. The Group is not exposed to commodity price risk. To manage its price risk arising from the investments, the Group diversifies its portfolios. 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, financial assets at fair value through profit or loss, as well as credit exposures to customers, including outstanding receivables.

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

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

For the year ended March 31 2019, the Group has no significant concentrations of credit risk except one individual customer (a related party of the Group) accounted for 10% or more of the Group's total trade receivables. The Group's concentration of credit risk by geographical location is in the PRC, which accounts for 95.8% of the total trade receivables as at March 31, 2019.

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, restricted cash and bank deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before March 31, 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group identified the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

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)

On that basis, the loss allowance as at March 31, 2019 was determined as follows for trade receivables:

	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, 2019				
Receivables of internet-based promotion and distribution segment				
Provision on individual basis	–	93,452	–	93,452
Provision on collective basis	0.76%	245,958	(1,866)	244,092
Receivables of content production segment				
Provision on individual basis	47.16%	52,787	(24,892)	27,895
Provision on collective basis	0.37%	743,354	(2,748)	740,606
Receivable of integrated development segment				
Provision on individual basis	29.38%	8,377	(2,461)	5,916
Provision on collective basis	0.71%	86,837	(616)	86,221
		1,230,765	(32,583)	1,198,182

The loss allowance for trade receivables recognized during the year ended March 31, 2019 is as follows:

	For the year ended March 31, 2019 RMB'000
Opening balance	(26,522)
Increase in loss allowance during the year	(6,061)
Closing balance	(32,583)

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 are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst 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.

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The remaining trade receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognized in a separate provision for impairment.

The directors of the Company will assess whether allowance on these receivables is necessary on a regular basis after considering (i) the reputation and trading history of these debtors; (ii) industry practice in settlement; and (iii) subsequent settlement amounts.

Receivables for which an impairment provision was recognized were written off against the provision when there was no expectation of recovering additional cash.

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

The Group has applied the expected credit loss model to other receivables as at April 1, 2018 and the change in impairment methodologies did not have any material impact on the Group's consolidated financial statements and the opening loss allowance is not restated in this respect. The loss allowance for other receivables recognized during the year ended March 31, 2019 is as follows:

	For the year ended March 31, 2019 RMB'000
Opening loss allowance as at April 1, 2018 (calculated under HKFRS 9)	**(69,449)**
Increase in the allowance recognized in profit or loss during the year	**(2,136)**
Unused amount reversed	**29,999**
Closing loss allowance as at March 31, 2019	**(41,586)**

Net impairment losses on financial assets recognized in profit or loss

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

	For the year ended March 31, 2019 RMB'000	For the fifteen months ended March 31, 2018 RMB'000
Impairment losses		
– movement in loss allowance for trade receivables	**(6,061)**	–
Impairment losses on other receivables	**(2,136)**	(33,097)
Reversal of previous impairment losses	**29,999**	4,506
Net reversal of/(provision for) impairment losses on financial assets	**21,802**	(28,591)

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 in 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	Total RMB'000
As at March 31, 2019				
Trade and other payables (excluding non-financial liabilities)	**687,785**	**3,300**	**3,150**	**694,235**
Borrowings	**51,781**	**56,215**	**711,657**	**819,653**
Finance lease liabilities	**10,573**	**4,831**	**40**	**15,444**
	750,139	**64,346**	**714,847**	**1,529,332**
As at March 31, 2018				
Trade and other payables (excluding non-financial liabilities)	620,257	–	–	620,257
Borrowings	4,577	6,290	19,073	29,940
Finance lease liabilities	8,609	7,985	3,826	20,420
	633,443	14,275	22,899	670,617

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

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, 2019 and March 31, 2018, the Group's gearing ratio is nil as its cash and cash equivalents exceeded its total borrowings.

3.3 Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as at March 31, 2019 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 16 for disclosures of financial assets at fair value through profit or loss that are measured at fair value.

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, 2019.

	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	**–**	**–**	**190,017**	**190,017**
Financial assets at fair value through profit or loss (non-current)				
Unlisted investments	**–**	**–**	**793,542**	**793,542**
Investment in convertible bonds	**–**	**–**	**1,161,000**	**1,161,000**
Total	**–**	**–**	**2,144,559**	**2,144,559**

The following table presents the Group's assets that are measured at fair value at March 31, 2018.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets (current)				
Investments in wealth management products	–	–	666,992	666,992
Available-for-sale financial assets (non-current)				
Unlisted investments	–	–	32,000	32,000
Financial assets at fair value through profit or loss (non-current)				
Investment in convertible bonds	–	–	1,122,587	1,122,587
Total	–	–	1,821,579	1,821,579

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

Financial instruments in level 3

The following table presents the changes in level 3 instruments for the year ended March 31, 2019 and for the fifteen months ended March 31, 2018.

	For the year ended March 31, 2019 RMB'000	For the fifteen months ended March 31, 2018 RMB'000
Investments in wealth management products – Current		
Opening balance	**666,992**	1,954,107
Decrease in investment amount, net	**(527,955)**	(1,375,131)
Change in fair value	**50,980**	88,016
Closing balance	**190,017**	666,992

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

Financial instruments in level 3 *(Continued)*

	For the year ended March 31, 2019 RMB'000	For the fifteen months ended March 31, 2018 RMB'000
Unlisted investments – Non-Current		
Opening balance	**52,000**	32,000
Increase in investment amount, net	**721,391**	–
Change in fair value	**18,487**	–
Effect of changes in exchange rate	**1,664**	–
Closing balance	**793,542**	32,000

	For the year ended March 31, 2019 RMB'000	For the fifteen months ended March 31, 2018 RMB'000
Investment in Convertible bonds – Non-current		
Opening balance	**1,122,587**	1,025,170
Interest received	**(19,500)**	(19,500)
Change in fair value	**57,913**	116,917
Closing balance	**1,161,000**	1,122,587

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

Financial instruments in level 3 *(Continued)*

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise 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.

For the investments in wealth management products, the fair values are based on cash flow discounted using the expected rate of return (ranged from 3%-4%) based on management estimates and are within level 3 of the fair value hierarchy.

For the 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 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 flows method. The majority of the Group's unlisted investments are acquired close to March 31, 2019. As a result, management is of the view that there is no significant change in fair value of these unlisted investments during the year ended March 31, 2019, unless there is available information about latest round of financing. If the fair values of the unlisted investments held by the Group had been 10% higher/lower as at March 31, 2019, pre-tax loss for the year ended March 31, 2019 would have been RMB79,354,000 lower/higher (The fifteen months ended March 31, 2018: pre-tax loss would have been RMB3,200,000 higher/lower).

For the investment in convertible bonds, the fair value was determined by an independent qualified valuer engaged by the Group using valuation techniques which involve certain key assumptions that are unobservable and are within level 3 of the fair value hierarchy. The valuation techniques and key assumptions used are as follows:

- Debt component – the fair value was derived as the present value of contractual determined stream of future cash flows discounted at the discount rate of 12%; and

- Conversion right – the fair value was determined using the binomial model, and the inputs adopted in the model include risk free rate of 1.768% and volatility of 30%. Risk free rate is based on the yield of Hong Kong government bond with a similar maturity of the convertible bonds, plus country risk differential and converted into continuously compounded. Volatility is calculated with reference to comparable companies' historical share price movement matching the period of the contractual life of the convertible bonds.

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. For the year ended March 31, 2019 and the fifteen months ended March 31, 2018, the recoverable amounts of CGUs were 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.

According to the management's assessment (Note 15), an impairment on goodwill of RMB21,000,000 was charged to administrative expenses during the year ended March 31, 2019 (The fifteen months ended March 31, 2018: nil).

(b) Fair value of investments in convertible bonds

The determination of the fair value of investments in convertible bonds 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 (Note 16).

(c) Estimated impairment of film and TV rights

At the end of the reporting period, the management of the Group assesses the impairment on film and TV rights with reference to its recoverable amount. The assessment was made on a film-by-film basis. The recoverable amount of the film and TV rights was determined based on VIU.

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 the management's best estimate of future cash flows expected to be generated from film and TV rights.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(c) Estimated impairment of film and TV rights *(Continued)*

Based on the management assessment's on the recoverability of film and TV rights (Note 17), the directors of the Company determined that an impairment provision of RMB29,149,000 (The fifteen months ended March 31, 2018: RMB42,176,000) was charged to cost of sales and services during the year ended March 31, 2019.

(d) Estimated impairment of investments accounted for using the equity method

The Group assesses whether there are any indicators 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.

According to the management's assessment (Note 13), there is no impairment in investments accounted for using the equity method as at March 31, 2019 (March 31, 2018: nil).

(e) Allowances for bad and doubtful debts

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUES AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board of Directors of the Company. Management has determined the operating segments based on the information reviewed by the Board of Directors of the Company for the purposes of allocating resources and assessing performance.

The Board of Directors of the Company considers the business from perspective of types of goods or services delivered or provided. During the year ended March 31, 2019, the Group's operating and reportable segments are as follows:

– Internet-based promotion and distribution: the operation of an integrated O2O platform for the promotion and distribution of entertainment content, and the provision of online movie ticketing service to consumers and ticket issuance system to cinemas.

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

– Integrated development: centered around copyrights, the development of professional services ranging from financing, business placement, promotion and distribution to merchandising.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUES AND SEGMENT INFORMATION *(Continued)*

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

	For the year ended March 31, 2019			
	Internet-based promotion and distribution RMB'000	**Content production RMB'000**	**Integrated development RMB'000**	**Total RMB'000**
Segment revenue				
– recognized at a point in time	**1,521,546**	**458,875**	**85,364**	**2,065,785**
– recognized over time	**942,096**	**–**	**–**	**942,096**
	2,463,642	**458,875**	**85,364**	**3,007,881**
Income from film and TV investments	**–**	**–**	**25,963**	**25,963**
Total segment revenue	**2,463,642**	**458,875**	**111,327**	**3,033,844**
Including: revenue recognized that was included in the contract liabilities balance at the beginning of the year	**14,426**	**–**	**–**	**14,426**

	For the fifteen months ended March 31, 2018			
	Internet-based promotion and distribution RMB'000	Content production RMB'000	Integrated development RMB'000	Total RMB'000
Segment revenue	2,658,579	585,444	58,760	3,302,783

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUES AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results

	For the year ended March 31, 2019			
	Internet-based promotion and distribution RMB'000	Content production RMB'000	Integrated development RMB'000	Total RMB'000
Segment Revenue	**2,463,642**	**458,875**	**111,327**	**3,033,844**
Segment results	**387,761**	**(221,083)**	**67,337**	**234,015**
Unallocated selling and marketing expenses				**(47,085)**
Administrative expenses				**(896,785)**
Net reversal of impairment losses on financial assets				**21,802**
Other income				**27,668**
Other gains, net				**163,389**
Finance income				**251,136**
Finance expenses				**(19,072)**
Share of loss of investments accounted for using the equity method				**(15,955)**
Loss before income tax				**(280,887)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUES AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

	For the fifteen months ended March 31, 2018			
	Internet-based promotion and distribution RMB'000	Content production RMB'000	Integrated development RMB'000	Total RMB'000
Segment revenue	2,658,579	585,444	58,760	3,302,783
Segment results	(882,538)	7,958	32,690	(841,890)
Unallocated selling and marketing expenses				(40,889)
Administrative expenses				(968,885)
Other income				122,037
Other gains, net				116,574
Finance income				107,691
Finance expenses				(291,564)
Share of loss of and gain on dilution of investments accounted for using the equity method				37,279
Loss before income tax				(1,759,647)

During the year ended March 31, 2019 and the fifteen months ended March 31,2018, all of the segment revenue reported above is 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 revenues are derived from the mainland of PRC except certain revenue from the content production segment.

As at March 31, 2019, the Group's non-current assets, other than financial instruments and deferred income tax assets, are located in the Mainland of the PRC, the USA, Hong Kong, Taiwan and Ireland amounting to RMB6,728,960,000, RMB360,218,000, RMB10,108,000, RMB14,128,000 and RMB12,673,000 (March 31, 2018: RMB5,960,389,000, RMB365,192,000, RMB90,132,000, RMB13,979,000 and RMB6,582,000) respectively.

During the year ended March 31, 2019 and the fifteen months ended March 31, 2018, none of the Group's customers accounted for 10% or more of the Group's total revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 OTHER INCOME

	For the year ended March 31, 2019 RMB'000	For the fifteen months ended March 31, 2018 RMB'000
Compensation income	**12,000**	–
Local government grants	**7,251**	11,736
Interest income on loan receivable	**6,188**	–
Investment income on investment in wealth management products	**–**	99,931
Sundry income	**2,229**	10,370
	27,668	122,037

Note:

Investment in wealth management products were classified as financial assets at FVTPL for the year ended March 31, 2019, and as available-for-sale financial assets as at and for the fifteen months ended March 31, 2018.

For the year ended March 31, 2019, investment income on investment in wealth management products includes realized gains of RMB49,663,000 and unrealized gains of RMB1,317,000, both of which are recognized as 'other gains, net' in the consolidated statements of profit or loss (Note 7).

7 OTHER GAINS, NET

	For the year ended March 31, 2019 RMB'000	For the fifteen months ended March 31, 2018 RMB'000
Change in fair value of investment in convertible bonds (Note 16)	**57,913**	116,917
Change in fair value of investment in wealth management products (Note 16)	**50,980**	–
Change in fair value of unlisted investments (Note 16)	**18,487**	–
Gain on disposal of a subsidiary (Note 29)	**16,914**	–
Gain on disposal of interest in an associate (Note 13)	**23,422**	–
Net (loss)/gain on disposal of property, plant and equipment	**(2,949)**	346
Others	**(1,378)**	(689)
	163,389	116,574

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 EXPENSES BY NATURE

	For the year ended March 31, 2019 RMB'000	For the fifteen months ended March 31, 2018 RMB'000
Amortization and impairment of film and TV rights (Note 17)	**974,656**	686,875
Cost of inventories, cinema ticketing and intellectual property licenses and other services recognized as cost of sales and services	**138,849**	134,243
Marketing and promotion expenses	**1,579,233**	3,208,022
Employee benefit expenses (Note 9)	**543,107**	671,559
Depreciation and amortization	**95,267**	82,199
Payment processing and other service fees	**97,966**	81,806
Operating lease payments	**80,724**	76,216
Technology service fees	**51,488**	29,145
Travel and entertainment fees	**38,609**	39,505
Impairment loss on goodwill	**21,000**	–
SMS platform service and customer services support fees	**16,814**	21,344
Net (reversal of)/provision for impairment losses on financial assets	**(21,802)**	28,591
Auditor's remunerations		
– Audit services	**4,400**	3,686
– Non-Audit services	**300**	570
Others	**101,286**	90,686
Total cost of sales and services, selling and marketing expenses, administrative expenses and net reversal of impairment losses on financial assets	**3,721,897**	5,154,447

Note:

Amount included an impairment loss on film and TV rights of RMB29,149,000 for the year ended March 31, 2019 (The fifteen months ended March 31, 2018: RMB42,176,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 EMPLOYEE BENEFIT EXPENSE

	For the year ended March 31, 2019 RMB'000	For the fifteen months ended March 31, 2018 RMB'000
Wages and salaries	**399,577**	393,569
Share-based payment under share option scheme and share award scheme (Note 22)	**29,173**	108,921
Social security costs and housing fund (Note a)	**78,954**	78,891
Reimbursement on share-based compensation (Note c)	**24,264**	69,511
Share-based payment transactions with ultimate parent (Note b)	**1,506**	12,469
Termination benefits	**9,633**	8,198
Total employee benefit expense	**543,107**	671,559

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 19% (The fifteen months ended March 31, 2018: 19%) of the employees' basic salaries subject to a cap determined by the state on an annual basis.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the 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 were no forfeited contributions utilized to offset employers' contributions for the year ended March 31, 2019. As at March 31, 2019 and March 31, 2018, there was no forfeited contribution available to reduce the contributions payable in the future years.

During the year ended March 31, 2019, the Group made total contributions to the retirement benefits schemes of RMB33,140,000 (The fifteen months ended March 31, 2018: RMB33,674,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 EMPLOYEE BENEFIT EXPENSE *(Continued)*

Notes: *(Continued)*

(b) On December 31, 2015, the Group completed the acquisition of the online movie ticketing business ("Tao Piao Piao") and IP-centric merchandising business ("Yulebao") from AGHL. Pursuant to the agreement entered into by the Company and AGHL, the Company agreed to pay RMB41,178,000 as the reimbursement of the share-based compensation provided by AGHL to the employees of Tao Piao Piao and Yulebao which were outstanding as at December 31, 2015 and would remain effective subsequent to the acquisition. The reimbursement was treated as share-based payment transactions with AGHL and the related share-based payment expenses were to be recognized in profit or loss over the remaining vesting periods of the share-based compensation in accordance with 'HKFRS 2 - Share-based payment'.

During the year ended March 31, 2019, share-based payment expenses recognized in relation to above reimbursement amounted to RMB1,506,000 (The fifteen months ended March 31, 2018: RMB12,469,000).

(c) In addition to above reimbursement arrangement with AGHL, the Group also entered into agreements with Hangzhou Junhan Equity Investment Partnership ("Junhan", a PRC limited partnership in which a key management personnel of AGHL is the general partner) in 2016, pursuant to which the Company agreed to reimburse the share-based compensation provided by Junhan to the employees of Tao Piao Piao and Yulebao. The reimbursement was treated as employee benefits and the related expenses were to be recognized in profit or loss, on a straight-line basis, over the remaining vesting periods of the share-based compensation.

During the year ended March 31, 2019, expenses recognized in relation to above reimbursement amounted to RMB24,264,000 (The fifteen months ended March 31, 2018: RMB69,511,000).

(d) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended March 31, 2019 included one director (The fifteen months ended March 31, 2018: two directors) whose emoluments are reflected in Note 35. The emoluments payable to the remaining four (The fifteen months ended March 31, 2018: three) individuals during the year/period are as follows:

	For the year ended March 31, 2019 RMB'000	For the fifteen months ended March 31, 2018 RMB'000
Salaries, share options, other allowances and benefits in kind	**20,344**	26,697
Bonuses	**2,164**	140
Contributions to the retirement scheme	**223**	101
	22,731	26,938

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 EMPLOYEE BENEFIT EXPENSE *(Continued)*

Notes: *(Continued)*

(d) Five highest paid individuals *(Continued)*

The emoluments fell within the following bands:

	Number of individuals	
	For the year ended March 31, 2019	For the fifteen months ended March 31, 2018
Emolument bands (in HK dollar)		
HK$3,000,001 to HK$3,500,000	**1**	–
HK$4,000,001 to HK$4,500,000	**1**	–
HK$4,500,001 to HK$5,000,000	**1**	–
HK$5,500,001 to HK$6,000,000	**–**	1
HK$6,000,001 to HK$6,500,000	**–**	1
HK$14,500,001 to HK$15,000,000	**1**	–
HK$20,000,001 to HK$20,500,000	**–**	1
	4	3

10 FINANCE INCOME AND EXPENSES

	For the year ended March 31, 2019 RMB'000	For the fifteen months ended March 31, 2018 RMB'000
Finance income		
– Exchange gain, net	**166,082**	–
– Interest income on bank deposits	**85,054**	107,691
	251,136	107,691
Finance expenses		
– Exchange loss, net	**–**	(278,687)
– Interest expenses on bank borrowings and finance lease liabilities	**(19,072)**	(12,877)
	(19,072)	(291,564)
Finance income/(expenses), net	**232,064**	(183,873)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INCOME TAX EXPENSE

	For the year ended March 31, 2019 RMB'000	For the fifteen months ended March 31, 2018 RMB'000
Current income tax	12,745	37,237
Deferred income tax (Note 26)	2,318	(1,924)
	15,063	35,313

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

	For the year ended March 31, 2019 RMB'000	For the fifteen months ended March 31, 2018 RMB'000
Loss before income tax	(280,887)	(1,759,647)
Tax calculated at a tax rate of 25% (The fifteen months ended March 31, 2018: 25%)	(70,222)	(439,912)
Tax effects of:		
– Associates' results reported net of tax	3,989	(9,320)
– Effect of different tax rates of subsidiaries	(3,057)	(33,044)
– Income not subject to tax	(76,940)	(62,821)
– Super deduction in relation to research and development costs	(4,754)	(3,362)
– Expenses not deductible for tax purposes	6,232	5,184
– Utilization of previously unrecognized tax losses	(35,975)	(23,819)
– Temporary differences and tax losses for which no deferred income tax asset was recognized	195,790	601,814
– Reversal of previously recognized deferred income tax assets	–	593
Tax charge	15,063	35,313

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INCOME TAX EXPENSE *(Continued)*

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 an exempted company with limited liability under the Companies Law of BVI and accordingly, is exempted from BVI income tax.

Provision for the PRC enterprise income tax is calculated based on the statutory tax rate of 25% (The fifteen months ended March 31, 2018: 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% (The fifteen months ended March 31, 2018: 15%) from January 1, 2016 to December 31, 2018 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 its date of incorporation to December 31, 2020 according to the relevant PRC tax rules and regulations.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the year ended March 31, 2019 and for the fifteen months ended March 31, 2018.

No provision for the USA profit tax has been made as the group companies operating in the USA did not have any assessable profit for current year and prior period.

12 LOSS PER SHARE

	For the year ended March 31, 2019	For the fifteen months ended March 31, 2018
Basic/diluted loss per share (RMB cents)	**(1.00)**	(6.56)

(a) Basic

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

	For the year ended March 31, 2019	For the fifteen months ended March 31, 2018
Loss attributable to owners of the Company (RMB'000)	**(253,570)**	(1,658,647)
Weighted average number of ordinary shares in issue less shares held for share award scheme (thousands)	**25,401,893**	25,267,538

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 LOSS PER SHARE *(Continued)*

(b) Diluted

Diluted earnings or loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of potential ordinary shares during the year ended March 31, 2019 and the fifteen months ended March 31, 2018, which are share options and unvested awarded shares.

The computation of diluted loss per share for the year ended March 31, 2019 and the fifteen months ended March 31, 2018 did not assume the issuance of any dilutive potential ordinary share since they are antidilutive, which would decrease the loss per share.

13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	For the year ended March 31, 2019 RMB'000	For the fifteen months ended March 31, 2018 RMB'000
At beginning of the year/period	**2,387,742**	2,280,839
Additions	**18,511**	201,828
Disposal of investment in an associate (Note a)	**(16,578)**	(38,403)
Refund of investments in an associate	**–**	(50,000)
Share of loss of investments (Note b)	**(15,955)**	(41,689)
Gain on dilution of interest in an associate	**–**	78,968
Currency translation differences	**28,269**	(43,801)
At ending of the year/period	**2,401,989**	2,387,742

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Notes:

(a) During the year ended March 31, 2019, the Group disposed all of the equity interests in Shanghai Xiying Culture Communication Limited Company for a cash consideration of RMB40,000,000. The carrying value of the equity interest disposed of was RMB16,578,000. Consequently, the Group recorded a disposal gain of RMB23,422,000 in the consolidated statement of profit or loss for the year ended March 31, 2019 (Note 7).

(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 that of the associates and joint ventures of the Group. The financial information of the Group's associates and joint ventures as at March 31, 2019 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 year ended March 31, 2019.

(c) The Board of Directors of the Company is of the view that none of the Group's associates or joint ventures is individually material to the Group as at March 31, 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Nature of investment in associates and joint ventures as at March 31, 2019 and March 31, 2018:

Name of entity	Place of business/ region of incorporation	% of ownership interest As at March 31, 2019	As at March 31, 2018
Associates:			
Mandarin Vision Inc. 華文創股份有限公司	Taiwan	**37.31%**	37.31%
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%***	10.00%*
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	**25.02%**	25.02%
Shanghai Xiying Culture Communication Limited Company 上海希映文化傳播有限公司	The PRC	**–**	11.18%*
Bona Film Group Limited 博納影業集團股份有限公司	The PRC	**7.72%***	7.72%*
Shanghai Zhuying Investment Management Consulting Limited Company 上海築影投資管理諮詢有限公司	The PRC	**7.53%***	7.53%*
Beijing Yue Kai Film & Television Media Limited Company 北京悅凱影視傳媒有限公司	The PRC	**14.82%***	14.82%*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Name of entity	Place of business/ region of incorporation	% of ownership interest	
		As at March 31, 2019	As at March 31, 2018
Shanghai Mingjian Limited Company 上海鳴澗影業有限公司	The PRC	**6.25%***	6.49%*
Showtime Analytics Limited	Ireland	**23.46%**	20.00%
Storyteller Holding Co., LLC	USA	**5%***	5%*
HeHe (Shanghai) Film Limited Company 和和(上海)影業有限公司	The PRC	**30.00%**	30.00%
Wuhan Two Ten Culture Communication Limited Company 武漢兩點十分文化傳播有限公司	The PRC	**20.00%**	20.00%
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%****	–
Shanghai Shengtian Movie & Media Co., Ltd. 上海晟天影視傳媒有限公司	The PRC	**60.00%****	–

* *Although the Group holds less than 20% of the equity shares of these investees, the Group can exercise significant influence over the investees by virtue of its contractual right to appoint director 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 were 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	Construction in progress RMB'000	Total RMB'000
At January 1, 2017					
Cost	24,935	103,853	3,185	1,251	133,224
Accumulated depreciation	(2,640)	(29,227)	(2,092)	–	(33,959)
Net book amount	22,295	74,626	1,093	1,251	99,265
For the fifteen months ended March 31, 2018					
Opening net book amount	22,295	74,626	1,093	1,251	99,265
Additions	55,064	64,682	–	58,028	177,774
Transfers	15,882	6,806	–	(22,688)	–
Acquisition of subsidiaries	–	985	–	22,808	23,793
Assets included in a disposal group classified as held-for-sale and other disposals	–	(4,788)	–	–	(4,788)
Depreciation charge	(11,943)	(51,661)	(62)	–	(63,666)
Closing net book amount	81,298	90,650	1,031	59,399	232,378
At March 31, 2018					
Cost	95,881	171,538	3,185	59,399	330,003
Accumulated depreciation	(14,583)	(80,888)	(2,154)	–	(97,625)
Net book amount	81,298	90,650	1,031	59,399	232,378
For the year ended March 31, 2019					
Opening net book amount	**81,298**	**90,650**	**1,031**	**59,399**	**232,378**
Additions	**24,085**	**30,287**	**–**	**–**	**54,372**
Transfers	**59,399**	**–**	**–**	**(59,399)**	**–**
Acquisition of a subsidiary (Note 30)	**–**	**151**	**–**	**–**	**151**
Disposals	**(3,340)**	**(1,020)**	**–**	**–**	**(4,360)**
Depreciation charge	**(29,247)**	**(52,046)**	**(292)**	**–**	**(81,585)**
Closing net book amount	**132,195**	**68,022**	**739**	**–**	**200,956**
At March 31, 2019					
Cost	**172,958**	**199,207**	**3,185**	**–**	**375,350**
Accumulated depreciation	**(40,763)**	**(131,185)**	**(2,446)**	**–**	**(174,394)**
Net book amount	**132,195**	**68,022**	**739**	**–**	**200,956**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Notes:

(a) Leased assets

Furniture, fittings and equipment includes the following amounts where the Group is a lessee under a finance lease:

	As at March 31, 2019 RMB'000	As at March 31, 2018 RMB'000
Leased equipment		
Cost	**28,790**	24,054
Less: accumulated depreciation	**(7,938)**	(2,249)
Net book amount	**20,852**	21,805

(b) Depreciation expenses

During the year ended March 31, 2019, depreciation expense of RMB81,003,000 (The fifteen months ended March 31, 2018: RMB63,212,000) has been charged to 'Administrative expenses', RMB582,000 (The fifteen months ended March 31, 2018: RMB454,000) has been charged to 'Selling and marketing expense'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 GOODWILL AND INTANGIBLE ASSETS

	Goodwill RMB'000	Film and television programme production and distribution license RMB'000	Operating license of the ticketing system RMB'000	Customer relationship RMB'000	Others RMB'000	Total RMB'000
At January 1, 2017						
Cost	3,532,107	7,808	163,000	21,300	8,329	3,732,544
Accumulated amortization and impairment	–	–	(17,206)	(2,810)	(3,520)	(23,536)
Net book amount	3,532,107	7,808	145,794	18,490	4,809	3,709,008
For the fifteen months ended March 31, 2018						
Opening net book amount	3,532,107	7,808	145,794	18,490	4,809	3,709,008
Additions	–	–	–	–	32	32
Acquisition of subsidiaries	63,951	–	–	–	–	63,951
Amortization charge	–	–	(13,583)	(2,219)	(2,731)	(18,533)
Goodwill included in a disposal group classified as held-for-sale	(49,554)	–	–	–	–	(49,554)
Closing net book amount	3,546,504	7,808	132,211	16,271	2,110	3,704,904
At March 31, 2018						
Cost	3,546,504	7,808	163,000	21,300	8,361	3,746,973
Accumulated amortization and impairment	–	–	(30,789)	(5,029)	(6,251)	(42,069)
Net book amount	3,546,504	7,808	132,211	16,271	2,110	3,704,904
For the year ended March 31, 2019						
Opening net book amount	**3,546,504**	**7,808**	**132,211**	**16,271**	**2,110**	**3,704,904**
Additions	**–**	**–**	**–**	**–**	**8,085**	**8,085**
Acquisition of a subsidiary (Note 30)	**60,543**	**–**	**–**	**13,000**	**–**	**73,543**
Amortization charge	**–**	**–**	**(10,867)**	**(1,775)**	**(1,040)**	**(13,682)**
Impairment	**(21,000)**	**–**	**–**	**–**	**–**	**(21,000)**
Closing net book amount	**3,586,047**	**7,808**	**121,344**	**27,496**	**9,155**	**3,751,850**
At March 31, 2019						
Cost	**3,607,047**	**7,808**	**163,000**	**34,300**	**16,446**	**3,828,601**
Accumulated amortization and impairment	**(21,000)**	**–**	**(41,656)**	**(6,804)**	**(7,291)**	**(76,751)**
Net book amount	**3,586,047**	**7,808**	**121,344**	**27,496**	**9,155**	**3,751,850**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 GOODWILL AND INTANGIBLE ASSETS *(Continued)*

During the year ended March 31, 2019, amortization expense of RMB13,317,000 (The fifteen months ended March 31, 2018: RMB18,039,000) has been charged to 'Administrative expenses' and RMB365,000 (The fifteen months ended March 31, 2018: RMB494,000) charged to 'Cost of sales and services'.

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 production segment, the internet-based promotion and distribution segment and the integrated development segment. The following is a summary of goodwill and intangible assets with indefinite useful life allocation for each operating and reportable segment:

For the year ended March 31, 2019	**Opening RMB'000**	**Addition RMB'000**	**Classified as held-for-sale RMB'000**	**Impairment RMB'000**	**Closing RMB'000**
Goodwill					
– Internet-based promotion and distribution	**3,136,784**	**60,543**	**–**	**(21,000)**	**3,176,327**
– Content production	**159,813**	**–**	**–**	**–**	**159,813**
– Integrated development	**249,907**	**–**	**–**	**–**	**249,907**
Intangible assets with indefinite useful life					
– Content production	**7,808**	**–**	**–**	**–**	**7,808**
	3,554,312	**60,543**	**–**	**(21,000)**	**3,593,855**
For the period ended March 31, 2018					
Goodwill					
– Internet-based promotion and distribution	3,122,387	63,951	(49,554)	–	3,136,784
– Content production	159,813	–	–	–	159,813
– Integrated development	249,907	–	–	–	249,907
Intangible assets with indefinite useful life					
– Content production	7,808	–	–	–	7,808
	3,539,915	63,951	(49,554)	–	3,554,312

Impairment review on the goodwill and intangible assets with indefinite useful life of the Group has been conducted by the management as at March 31, 2019 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, 2019 are summarized below:

	Content production	Internet-based promotion and distribution	Integrated development
Pre-tax discount rate	23.8%	23%-24%	23.3%
Long-term growth rate	3%	3%	3%

Other key assumptions for the VIU calculations relate to the estimation of cash inflows/outflows which include gross merchandise value ("GMV"), budgeted sales, gross margin and the ratio of market promotion expenses to GMV, such estimation is based on the past performance of the CGUs and management's expectations for the market development.

Based on above assessment, the directors of the Company are of the view that there is no impairment of goodwill and intangible assets with indefinite useful life as at March 31, 2019, except that an impairment on goodwill of RMB21,000,000 was recognized for one of the CGUs.

16 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(a) Classification of financial assets at fair value through profit or loss *(Continued)*

Financial assets measured at FVTPL include the following:

	As at March 31	
	2019	2018
	RMB'000	RMB'000
Non-current assets		
Unlisted investments (Note i)	**793,542**	–
Investment in convertible bonds (Note ii)	**1,161,000**	1,122,587
	1,954,542	1,122,587
Current assets		
Investments in wealth management products (Note i)	**190,017**	–
	2,144,559	1,122,587

Notes:

(i) See Note 2.2 for explanations regarding the change in accounting policy and the reclassification of certain investments from available-for-sale to financial assets at FVTPL following the adoption of HKFRS 9, and Note 2.11 for the remaining relevant accounting policies.

(ii) The balance represents the investment in convertible bonds issued by Dadi Cinema (HK) Limited ("Dadi"), a subsidiary of Nan Hai Corporation Limited (shares of which are listed on the HK Stock Exchange), which are compound instruments and designated as financial assets at fair value through profit or loss.

The issuance of the convertible bonds was completed on June 15, 2016 (the "Issue Date") with principal amount of RMB1,000,000,000. The convertible bonds bear interest at 1.95% per annum and have a conversion period of three years (the "Conversion Period").

The Group can, at any time during the Conversion Period, convert all the convertible bonds into ordinary shares of Dadi at a conversion price determined in accordance with the terms of the subscription agreement of the convertible bonds.

In terms of redemption, the Group can, at any time after the second anniversary of the Issue Date, require Dadi to redeem all the convertible bonds outstanding at an amount which yields an internal rate of return of 5.50% per annum on the subscription amount paid by the Group (the "Redemption Price"). Upon maturity of the Conversion Period, Dadi will redeem all the convertible bonds outstanding (which have not been redeemed or converted) at the Redemption Price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(a) Classification of financial assets at fair value through profit or loss *(Continued)*

Notes: *(Continued)*

As at the March 31, 2019 and March 31, 2018, the fair value of the convertible bonds was determined by an independent qualified valuer engaged by the Group.

For the debt component of the convertible bonds, the fair value is derived as the present value of contractual determined stream of future cash flows discounted at the discount rate of 12% as at March 31, 2019 and 2018.

For the conversion right of the convertible bonds, the fair value was determined using the binomial model, and the inputs adopted in the model as at the March 31, 2018 and March 31, 2019 include risk free rate of 1.506% and 1.768%, remaining life of 1.2 years and 0.2 years, and volatility of 35% and 30% respectively. Risk free rate is based on the yield of Hong Kong government bond with a similar maturity of the convertible bonds, plus country risk differential and converted into continuously compounded. Volatility is calculated with reference to comparable companies' historical share price movement matching the period of the contractual life of the convertible bonds.

(b) Amounts recognized in profit or loss

During the year/period, the following gains were recognized in the consolidated statements of profit or loss:

	For the year ended March 31, 2019 RMB'000	For the fifteen months ended March 31, 2018 RMB'000
Fair value gains on unlisted investments (Note 7)	**18,487**	–
Fair value gains on investment in convertible bonds (Note 7)	**57,913**	116,917
Fair value gains on investments in wealth management products (Note 7)	**50,980**	–

(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

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(d) Previous accounting policy: Classification of financial assets at fair value through profit or loss

In the fifteen months ended March 31, 2018, the Group classified financial assets at fair value through profit or loss if they were acquired principally for the purpose of selling in the short term. They were presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they were presented as non-current assets.

The Group elected to designate investment in convertible bonds as financial assets at fair value through profit or loss in accordance with the accounting policies adopted by the Group prior to April 1, 2018 as disclosed in Note 2.11(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 FILM AND TV RIGHTS AND INVESTMENTS

	As at March 31, 2019 RMB'000	As at March 31, 2018 RMB'000
Film and TV rights		
– Under production/production yet to commence	**965,059**	933,793
– Completed production	**85,115**	56,352
Subtotal	**1,050,174**	990,145
Film and TV investments, at fair value	**275,294**	–
	1,325,468	990,145

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 fifteen months ended March 31, 2018			
Opening net book amount	809,004	–	809,004
Additions	916,020	–	916,020
Recognized as an expense included in cost of sales and services (Note 8)	(686,875)	–	(686,875)
Refund of investment	(38,895)	–	(38,895)
Currency translation differences	(9,109)	–	(9,109)
Closing net book amount	990,145	–	990,145
For the year ended March 31, 2019			
Opening net book amount	**990,145**	**–**	**990,145**
Additions	**1,039,540**	**275,294**	**1,314,834**
Recognized as an expense included in cost of sales and services (Note 8)	**(974,656)**	**–**	**(974,656)**
Refund of investment	**(10,842)**	**–**	**(10,842)**
Currency translation differences	**5,987**	**–**	**5,987**
Closing net book amount	**1,050,174**	**275,294**	**1,325,468**

Note:

During the year ended March 31, 2019, management of the Group considered the expected future income of certain film and TV rights could not recover the respective carrying amounts and an impairment charge of RMB29,149,000 (The fifteen months ended March 31, 2018: RMB42,176,000) is recognized as cost of sales and services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	Note	**As at March 31, 2019 RMB'000**	As at March 31, 2018 RMB'000
Financial assets			
Financial assets at amortized cost			
– Trade receivables	19	**1,198,182**	592,754
– Other receivables (excluding non-financial assets)		**1,129,051**	452,268
– Cash and cash equivalents	20	**3,341,470**	1,685,719
– Bank deposits with the maturity over three months	20	**828,872**	2,740,707
– Restricted cash	20	**18,977**	17,719
– Bank deposits with the maturity over one year	20	**50,000**	–
Film and TV investments, at fair value	17	**275,294**	–
Financial assets at fair value through profit or loss	16	**2,144,559**	1,122,587
Available-for-sale financial assets		**–**	718,992
		8,986,405	7,330,746
Financial liabilities			
Liabilities at amortized cost			
– Borrowings	25	**717,310**	26,311
– Trade and other payables (excluding non-financial liabilities)		**693,285**	620,257
– Finance lease liabilities		**12,299**	19,965
		1,422,894	666,533

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 TRADE AND OTHER RECEIVABLES, AND PREPAYMENTS

	As at March 31, 2019			As at March 31, 2018		
	Current RMB'000	Non-current RMB'000	Total RMB'000	Current RMB'000	Non-current RMB'000	Total RMB'000
Trade receivables (Note a)						
– Related parties (Note 32(b))	240,522	–	240,522	106,134	–	106,134
– Third parties	990,243	–	990,243	513,142	–	513,142
Less: allowance for impairment of trade receivables (Note 3.1)	(32,583)	–	(32,583)	(26,522)	–	(26,522)
Trade receivables – net	1,198,182	–	1,198,182	592,754	–	592,754
Prepaid film deposits (Note b)	70,000	20,000	90,000	–	90,000	90,000
Prepayments to related parties (Note 32(b))	3,044	–	3,044	29,627	–	29,627
Prepayments for investment in film and TV rights	–	–	–	11,560	–	11,560
Other prepayments	18,728	–	18,728	16,930	4,397	21,327
Other receivables arising from (Note c):						
– Receivables from related parties (Note 32(b))	71,595	–	71,595	24,217	–	24,217
– Loan receivable (Note d)	–	700,000	700,000	–	–	–
– Receivables in relation to film and TV investments	128,885	–	128,885	243,587	–	243,587
– Deductible VAT input	107,205	–	107,205	70,084	–	70,084
– Deposits receivables	86,814	–	86,814	26,651	–	26,651
– Refund receivable in relation to the restructuring of an associate	38,883	–	38,883	100,370	–	100,370
– Receivables in respect of reimbursement of distribution expenses	36,935	–	36,935	41,797	–	41,797
– Interest income receivables	20,873	–	20,873	17,259	–	17,259
– Refundable film rights cost	–	–	–	4,900	–	4,900
– Others	85,360	1,292	86,652	46,083	16,853	62,936
Less: allowance for impairment of prepayments and other receivables (Note 3.1)	(41,586)	–	(41,586)	(69,449)	–	(69,449)
Other receivables and prepayments – net	626,736	721,292	1,348,028	563,616	111,250	674,866
Total trade and other receivables, and prepayments	1,824,918	721,292	2,546,210	1,156,370	111,250	1,267,620

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Notes:

(a) Trade receivables

The normal credit period granted to the debtors of the Group is generally ranging from 30 days to two years. 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 directors of the Company will assess whether allowance on these receivables is necessary on a regular basis after considering (i) the reputation and trading history of these debtors; (ii) industry practice in settlement; and (iii) subsequent settlement amounts.

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

	As at March 31, 2019 RMB'000	As at March 31, 2018 RMB'000
0 – 90 days	**442,768**	327,501
91 – 180 days	**328,826**	183,997
181 – 365 days	**149,897**	28,707
Over 365 days	**309,274**	79,071
	1,230,765	619,276

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Information about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 3.1.

(b) Prepaid film deposits

These prepaid film deposits represented the prepayments made by the Group to Mr. Chan Ho Sun, Ms. Chai Zhi Ping, Mr. Wong Kar Wai and Mr. Xu Hong Yu pursuant to their respective film cooperation agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Notes: *(Continued)*

(c) Other receivables

See Note 2.2 for the impact of the change in accounting policy following the adoption of HKFRS 9 on the classification of financial assets and Note 2.11 for the remaining relevant accounting policies.

These balances generally arise from transactions surrounding the operating activities of the Group. The non-current other receivables are due for repayment within one to five years from the balance sheet date.

Further information relating to loans to related parties is set out in Note 32.

Note 3.1 sets out information about the impairment of other receivables and the Group's exposure to credit risk.

All of other receivables are denominated in functional currency of the Group's subsidiaries. As a result, there is no exposure to foreign currency risk.

(d) Loan receivable

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 maturity of five 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 CASH AND BANK BALANCES

(a) Cash and cash equivalents

	As at March 31, 2019 RMB'000	As at March 31, 2018 RMB'000
Cash at banks and on hand	**3,341,470**	1,685,719

As at March 31, 2019, the Group had placed deposits amounted to RMB146,012,000 (March 31, 2018: RMB105,423,000) in online payment platform accounts managed by Alipay.com Co., Ltd. ("Alipay", a related company of AGHL) in connection with the provision of online and mobile commerce and related services, which have been recorded as 'cash and cash equivalents' in the consolidated balance sheets.

The deposits at banks earn interests at floating rates based on prevailing market rates.

(b) Bank deposits with the maturity over three months

	As at March 31, 2019 RMB'000	As at March 31, 2018 RMB'000
Bank deposits with the maturity over three months	**828,872**	2,740,707

(c) Restricted cash

	As at March 31, 2019 RMB'000	As at March 31, 2018 RMB'000
Restricted cash	**18,977**	17,719

As at March 31, 2019, restricted cash of RMB18,977,000 (March 31, 2018: RMB17,719,000) are pledged as securities for issuance of letter of credit.

(d) Bank deposits with the maturity over one year

	As at March 31, 2019 RMB'000	As at March 31, 2018 RMB'000
Bank deposits with the maturity over one year	**50,000**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 CASH AND BANK BALANCES *(Continued)*

(e) Currency denomination

The Group's cash and bank balances are denominated in the following currencies:

	As at March 31, 2019 RMB'000	As at March 31, 2018 RMB'000
US$	**2,297,163**	2,548,140
RMB	**1,384,032**	1,895,770
HK$	**558,124**	235
	4,239,319	4,444,145

21 SHARE CAPITAL

Ordinary shares of HK$0.25 each, issued and fully paid:

	Number of shares	**Share capital HK$'000**	**RMB'000**
At January 1, 2017	25,234,561,410	6,308,640	5,081,884
Issuance of shares under share award scheme	235,142,500	58,786	49,521
At March 31, 2018	**25,469,703,910**	**6,367,426**	**5,131,405**
Issuance of shares under share award scheme	**159,118,600**	**39,780**	**33,198**
Issuance of shares to Ali CV (Note)	**1,000,000,000**	**250,000**	**213,385**
At March 31, 2019	**26,628,822,510**	**6,657,206**	**5,377,988**

Note:

On December 9, 2018, the Company entered into a subscription agreement with Ali CV in relation to the subscription for an aggregate of 1,000,000,000 ordinary shares of the Company at the subscription price of HK$1.25 per share (the "Subscription Shares").

On March 5, 2019, the Subscription Shares with par value of HK$0.25 each were issued at a placing price of HK$1.25 per share to Ali CV for aggregate placing proceeds totalling HK$1,250,000,000 (equivalent to approximately RMB1,066,925,000), of which HK$250,000,000 (equivalent to approximately RMB213,385,000) were credited to share capital and HK$1,000,000,000 (equivalent to approximately RMB853,540,000) were credited to share premium. Transaction costs in relation to the subscription of RMB2,135,000 were debited to share premium.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 SHARE-BASED PAYMENT

During the year ended March 31, 2019 and the fifteen months ended March 31, 2018, share-based payment expenses recognized in the consolidated statement of profit or loss included:

	For the year ended March 31, 2019 RMB'000	For the fifteen months ended March 31, 2018 RMB'000
Share-based payment under the 2012 Share Option Scheme and Share Award Scheme	**29,173**	108,921
Share-based payment transactions with AGHL (Note 9(b))	**1,506**	12,469
	30,679	121,390

(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 will be valid for 10 years from the date of its adoption. The 2012 Share Option Scheme will expire on June 12, 2022.

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, 2019 are as below:

Grant date	**Exercise price HK$**	**Fair value RMB'000**
May 21, 2018	**0.912**	**29,881**
September 26, 2018	**1.012**	**13,879**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 SHARE-BASED PAYMENT *(Continued)*

(a) The 2012 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 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, 2019 is service condition and vesting period is 4 years.

Movements of the share options granted by the Company pursuant to the 2012 Share Option Scheme are as below:

	For the year ended March 31, 2019		For the fifteen months ended March 31, 2018	
	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/period	**1.486**	**57,933,500**	1.902	725,265,800
Granted	**0.941**	**134,050,000**	1.268	62,900,000
Lapsed	**1.157**	**(47,478,500)**	1.877	(429,031,300)
Cancelled due to replacement by the Share Award Scheme (Note)	**–**	**–**	1.886	(301,201,000)
At ending of the year/period	**1.089**	**144,505,000**	1.486	57,933,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 SHARE-BASED PAYMENT *(Continued)*

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

Note:

During the fifteen months ended March 31, 2018, an aggregate of 301,201,000 share options were replaced by 118,630,000 awarded shares which are granted to the relevant grantees in accordance with the terms of the Share Award Scheme (Note 22(b)).

Out of the 144,505,000 outstanding share options, 17,783,750 shares are exercisable as at March 31, 2019.

Share options outstanding at the end of the year/period have the following grant date, expiry date and exercise prices:

			Number of share options	
Grant date	**Expiry date**	**Exercise price in HK$ per share option**	**As at March 31, 2019**	As at March 31, 2018
January 28, 2015	January 27, 2025	**1.670**	**2,100,000**	7,600,000
April 13, 2016	April 12, 2026	**1.880**	**5,925,000**	5,925,000
June 3, 2016	June 2, 2026	**1.860**	**8,030,000**	8,530,000
December 5, 2016	December 4, 2026	**1.494**	**5,850,000**	7,350,000
July 17, 2017	July 16, 2027	**1.310**	**–**	9,478,500
October 24, 2017	October 23, 2027	**1.276**	**7,700,000**	12,850,000
January 18, 2018	January 17, 2028	**1.060**	**6,200,000**	6,200,000
May 21, 2018	May 20, 2028	**0.912**	**76,300,000**	–
September 26, 2018	September 25, 2028	**1.020**	**32,400,000**	–
			144,505,000	57,933,500

The period within which the share options must be exercised shall not be more than 10 years from the date of grant. The options outstanding as at March 31, 2019 had a weighted average remaining contractual life of 8 years (March 31, 2018: 9 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 SHARE-BASED PAYMENT *(Continued)*

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

The weighted average fair value of options granted during the period determined using the Binomial Model was HK$0.392 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$0.940 at the grant date, exercise price shown above, volatility of 40%, zero expected dividend yield, a contractual option life of ten years, and an annual risk-free interest rate of 2.31%~2.41%. 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, 2019, the Group recognized an expense of RMB7,737,000 (the fifteen months ended March 31, 2018: a credit of RMB5,570,000) in the consolidated statement of profit or loss arising from the value of employee services provided under share option scheme.

(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, AGHL and subsidiaries of AGHL 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 earlier 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, 2019, the remaining life of the Share Award Scheme is approximate 13 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 SHARE-BASED PAYMENT *(Continued)*

(b) Share Award Scheme *(Continued)*

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.

Movements of the awarded shares granted by the Company pursuant to the Share Award Scheme are as below:

	For the year ended March 31, 2019		For the fifteen months ended March 31, 2018	
	Weighted average fair value in HK$ (per share)	**Number of awarded shares granted**	Weighted average fair value in HK$ (per share)	Number of awarded shares granted
At beginning of the year/period	**1.272**	**148,825,750**	–	–
Granted (Note)	**0.948**	**144,498,600**	1.292	280,829,000
Vested	**1.304**	**(38,144,500)**	1.314	(90,167,000)
Lapsed	**1.164**	**(68,336,750)**	1.314	(41,836,250)
At ending of the year/period	**1.054**	**186,843,100**	1.272	148,825,750

Note:

Among the above awarded shares granted in the fifteen months ended March 31, 2018, 118,630,000 awarded shares are granted to the relevant grantees in replacement of share options previously granted to them under the 2012 Share Option Scheme (the "Replacement Awarded Shares"). Upon the grant of the 118,630,000 Replacement Awarded Shares and the acceptance of the relevant grantees, 301,201,000 share options under the 2012 Share Option Scheme have been cancelled (Note 22(a)).

The directors of the Company are of the view that above grant of the Replacement Awarded Shares constitute 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, 2019, the vesting condition is service time and the vesting period is 4 years.

The fair value of restricted shares charged to the consolidated income statement is RMB21,436,000 during the year ended March 31, 2019 (The fifteen months ended March 31, 2018: RMB114,491,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 OTHER RESERVES

As at March 31, 2019, the Group's retained earnings included PRC subsidiaries' statutory surplus reserve of RMB45,150,000 (March 31, 2018: RMB39,478,000).

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 needs not to be made.

The statutory surplus reserve and the reserve fund 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

24 TRADE AND OTHER PAYABLES, AND ACCRUED CHARGES

	As at March 31, 2019			As at March 31, 2018
	Current	**Non-current**	**Total**	Current
	RMB'000	**RMB'000**	**RMB'000**	RMB'000
Trade payables (Note a)				
– Related parties (Note 32(c))	**63,553**	**–**	**63,553**	63,236
– Third parties	**93,778**	**–**	**93,778**	52,353
	157,331	**–**	**157,331**	115,589
Other payable and accrued charges:				
Amounts due to related parties (Note 32(c))	**102,857**	**–**	**102,857**	81,532
Payables in relation to distribution of films	**115,599**	**–**	**115,599**	22,279
Payables in relation to film and TV investments	**86,920**	**–**	**86,920**	205,987
Accrued marketing expense	**79,431**	**–**	**79,431**	48,461
Payroll and welfare payable	**75,256**	**–**	**75,256**	69,269
Other tax payable	**59,555**	**–**	**59,555**	32,574
Payables in relation to rental and property management fee	**43,961**	**–**	**43,961**	25,423
Professional fees payable	**16,019**	**–**	**16,019**	12,336
Deposit from customers	**15,198**	**–**	**15,198**	20,946
Amounts received on behalf of cinemas	**7,996**	**–**	**7,996**	34,120
Consideration payable for acquisition of a subsidiary	**4,000**	**6,000**	**10,000**	–
Amounts received on behalf of cinema ticketing system providers	**3,702**	**–**	**3,702**	50,510
Interest payable	**3,671**	**–**	**3,671**	132
Payables for property, plant and equipment	**–**	**–**	**–**	961
Advance from customers (Note b)	**–**	**–**	**–**	31,658
Others	**60,961**	**–**	**60,961**	42,470
	675,126	**6,000**	**681,126**	678,658
Total trade and other payables, and accrued charges	**832,457**	**6,000**	**838,457**	794,247

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

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

Notes:

(a) Trade payables

As at March 31, 2019 and March 31, 2018, the aging analysis of the trade payables based on invoice date is as follows:

	As at March 31, 2019 RMB'000	As at March 31, 2018 RMB'000
0 – 90 days	**116,196**	93,967
91 – 180 days	**25,000**	13,286
181 – 365 days	**1,789**	243
Over 365 days	**14,346**	8,093
	157,331	115,589

(b) As at March 31, 2019, advance from customers were included in 'contract liabilities' in the consolidated balance sheet as the result of the adoption of HKFRS 15 from April 1, 2018.

25 BORROWINGS

	As at March 31, 2019 RMB'000	As at March 31, 2018 RMB'000
Unsecured		
Current	**5,000**	3,000
Non-Current	**712,310**	23,311
	717,310	26,311

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 BORROWINGS *(Continued)*

As at March 31, 2019 and March 31, 2018, the Group's bank borrowings are denominated in the following currencies:

	As at March 31, 2019 RMB'000	As at March 31, 2018 RMB'000
RMB-denominated	**45,000**	26,311
USD-denominated (Note a)	**672,310**	–
	717,310	26,311

As at March 31, 2019 and March 31, 2018, the Group's bank borrowings are repayable as follows:

	As at March 31, 2019 RMB'000	As at March 31, 2018 RMB'000
Within 1 year	**5,000**	3,000
Between 1 and 2 years	**10,000**	5,000
Between 2 and 5 years	**702,310**	18,311
	717,310	26,311

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 BORROWINGS *(Continued)*

Movements in borrowings analyzed as follows:

	For the year ended March 31, 2019			For the fifteen months ended March 31, 2018		
	Current RMB'000	**Non-current RMB'000**	**Total RMB'000**	Current RMB'000	Non-current RMB'000	Total RMB'000
Opening balance	**3,000**	**23,311**	**26,311**	1,980,000	–	1,980,000
Repayments of bank Borrowings	**(3,000)**	**–**	**(3,000)**	(1,980,000)	–	(1,980,000)
Proceeds from bank Borrowings	**5,000**	**701,921**	**706,921**	3,000	23,311	26,311
Effect of changes in exchange rate	**–**	**(12,922)**	**(12,922)**	–	–	–
Closing balance	**5,000**	**712,310**	**717,310**	3,000	23,311	26,311

Notes:

(a) As at March 31, 2019, a wholly-owned subsidiary of the Company has USD-denominated long-term borrowings of USD100,000,000, which bear an interest of 3.75% per annum and has a maturity of four years. The Company has provided a guarantee in favor of the subsidiary to the relevant bank in relation to the borrowings.

The Group has complied with the financial covenants as stipulated in the loan agreement during the year ended March 31, 2019.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 DEFERRED INCOME TAX

The analysis of deferred income tax assets/(liabilities) is as follows:

	As at March 31, 2019 RMB'000	As at March 31, 2018 RMB'000
Deferred income tax assets	**419**	419
Deferred income tax liabilities	**(42,994)**	(37,426)

The movements in deferred income tax assets during the year ended March 31, 2019 and the fifteen months ended March 31, 2018 are as follows:

	Accrual RMB'000	**Provision RMB'000**	**Total RMB'000**
At January 1, 2017	593	419	1,012
Charged to the consolidated statement of profit or loss	(593)	–	(593)
At March 31, 2018	–	419	419
At April 1, 2018	**–**	**419**	**419**
Credited to the consolidated statement of profit or loss	**–**	**–**	**–**
At March 31, 2019	**–**	**419**	**419**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 DEFERRED INCOME TAX *(Continued)*

The movements in deferred income tax liabilities during the year ended March 31, 2019 and the fifteen months ended March 31, 2018 are as follows:

	Fair value gain RMB'000
At January 1, 2017	(42,922)
Credited to the consolidated statement of profit or loss	2,517
Credited to other comprehensive income	2,979
At March 31, 2018	(37,426)
At April 1, 2018	**(37,426)**
Charged to the consolidated statement of profit or loss	**(2,318)**
Acquisition of subsidiary (Note 30)	**(3,250)**
At March 31, 2019	**(42,994)**

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 carry forward to the extent that realization of the related tax benefit through the future taxable profits is probable. As at March 31, 2019, the Group had tax losses of RMB3,934,938,000 (March 31, 2018: RMB3,176,621,000) to carry forward, which were not recognized as deferred tax assets as the directors of the Company considered that the utilization of these tax losses in the foreseeable future is not probable, of which an amount of RMB3,397,168,000 will expire through year 2019 to 2023 (March 31, 2018: RMB2,666,191,000 will expire through year 2018 to 2022), the amount of RMB537,770,000 (March 31, 2018: RMB510,430,000) with no expiry date.

27 DIVIDENDS

The Board of the Directors of the Company has resolved not to recommend the payment of a dividend for the year ended March 31, 2019 (For the fifteen months ended March 31, 2018: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 CASH USED IN OPERATIONS

(a) Cash generated from/(used in) operations

	For the year ended March 31, 2019 RMB'000	For the fifteen months ended March 31, 2018 RMB'000
Loss before income tax	**(280,887)**	(1,759,647)
Adjustments for:		
– Finance income, net	**(232,064)**	183,873
– Investment income on loan receivable	**(6,188)**	–
– Share-based payment expenses	**30,679**	121,390
– Depreciation and amortization	**95,267**	82,199
– Provision for impairment of film and TV rights	**29,149**	42,176
– (Reversal of impairment provision)/Impairment provision of trade and other receivables	**(21,802)**	28,591
– (Gain)/Loss on disposal of subsidiaries	**(16,914)**	1,537
– Change in fair value of non-current financial assets at fair value through profit or loss	**(76,400)**	(116,917)
– Investment income on investment in wealth management products	**(50,980)**	(99,931)
– Share of profit or loss of and gain on dilution of investments accounted for using equity method	**15,955**	(37,279)
– Loss/(gain) on disposal of property, plant and equipment	**2,949**	(346)
– Proceeds from disposal of investment in an associate	**(23,422)**	–
– Impairment of goodwill	**21,000**	–
Changes in working capital:		
– Trade and other payables, and accrued charges	**30,845**	367,436
– Contract liabilities	**54,528**	–
– Change in inventories	**96**	134
– Trade and other receivables, and prepayments	**(571,648)**	(317,528)
– Film and TV rights and investments	**(358,485)**	(232,426)
Cash used in operations	**(1,358,322)**	(1,736,738)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 CASH USED IN OPERATIONS *(Continued)*

(b) Non-cash investing and financing activities

	For the year ended March 31, 2019 RMB'000	For the fifteen months ended March 31, 2018 RMB'000
Consideration paid for acquisition of subsidiaries in the form of capital injection	**–**	144,741
Acquisition of PPE by means of finance leases	**4,736**	24,054
Non-cash consideration received for the disposal of a subsidiary	**116,049**	–

(c) Net cash reconciliation

An analysis of net cash as at March 31, 2019 and March 31, 2018 is as follows:

Net cash	**As at March 31, 2019 RMB'000**	As at March 31, 2018 RMB'000
Cash and cash equivalents	**3,341,470**	1,685,719
Bank deposits with the maturity over three months	**828,872**	2,740,707
Investment in wealth management products	**190,017**	666,992
Bank deposits with the maturity over one year	**50,000**	–
Finance leases – repayable within one year	**(8,435)**	(7,979)
Finance leases – repayable after one year	**(3,864)**	(11,986)
Borrowings – repayable within one year	**(5,000)**	(3,000)
Borrowings – repayable after one year	**(712,310)**	(23,311)
Net cash	**3,680,750**	5,047,142
Cash and liquid investments	**4,410,359**	5,093,418
Gross debt – fixed interest rates	**(684,609)**	(19,965)
Gross debt – variable interest rates	**(45,000)**	(26,311)
Net cash	**3,680,750**	5,047,142

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 CASH USED IN OPERATIONS *(Continued)*

(c) Net cash reconciliation *(Continued)*

Movements in net cash for the year ended March 31, 2019 and the fifteen months ended March 31, 2018 are as follows:

	Other assets				Liabilities from financing activities				
	Cash and cash equivalents RMB'000	Investment in wealth management products RMB'000	Bank deposits with the maturity over three months RMB'000	Bank deposits with the maturity over one year RMB'000	Finance leases due within 1 year RMB'000	Finance leases due after 1 year RMB'000	Borrowing due within 1 year RMB'000	Borrowing due after 1 year RMB'000	Total RMB'000
Net cash as at January 1, 2017	6,220,966	1,954,107	–	–	–	–	(1,980,000)	–	6,195,073
Cash flows	(4,296,377)	(1,375,131)	2,862,070	–	4,089	–	1,977,000	(23,311)	(851,660)
Foreign exchange adjustments	(238,870)	–	(121,363)	–	–	–	–	–	(360,233)
Other changes (Note i)	–	88,016	–	–	(12,068)	(11,986)	–	–	63,962
Net cash as at March 31, 2018	1,685,719	666,992	2,740,707	–	(7,979)	(11,986)	(3,000)	(23,311)	5,047,142
Net cash as at April 1, 2018	**1,685,719**	**666,992**	**2,740,707**	**-**	**(7,979)**	**(11,986)**	**(3,000)**	**(23,311)**	**5,047,142**
Cash flows	**1,478,444**	**(527,955)**	**(1,890,882)**	**50,000**	**13,252**	**-**	**(2,000)**	**(701,921)**	**(1,581,062)**
Foreign exchange adjustments	**177,307**	**-**	**(20,953)**	**-**	**-**	**-**	**-**	**12,922**	**169,276**
Other changes (Note i)	**-**	**50,980**	**-**	**-**	**(13,708)**	**8,122**	**-**	**-**	**45,394**
Net cash as at March 31, 2019	**3,341,470**	**190,017**	**828,872**	**50,000**	**(8,435)**	**(3,864)**	**(5,000)**	**(712,310)**	**3,680,750**

Note:

(i) Other changes include non-cash movements such as new finance lease arrangements entered into and reclassification from non-current Liabilities to current Liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 DISPOSAL OF A SUBSIDIARY

As at March 31, 2018, the Group decided to recover the carrying amount of the investment in Orbgen Technologies Private Limited ("Orbgen"), a company that principally operates an online movie ticketing platform namely "TicketNew" in India, principally through a sale transaction in the future. Accordingly, the assets and liabilities of Orbgen are considered as held-for-sale as at March 31, 2018.

In June, 2018, the Group disposed of all its 75% interest in Orbgen to One97 Communications Limited ("One97", a related party of AGHL) in exchange for 0.19% equity interest in One97. The Group recorded its interest in One97 as a financial asset at fair value through profit or loss at the initial fair value of RMB116,049,000.

	RMB'000
Consideration – recorded as financial assets at fair value through profit or loss	**116,049**
Analysis of assets and liabilities over which control was lost	
Assets classified as held-for-sale	**119,487**
Liabilities directly associated with assets classified as held-for-sale	**(7,175)**
Non-controlling interests	**(13,177)**
Net assets disposed of	**99,135**
Gain on disposal of a subsidiary	
Consideration	**116,049**
Net assets disposed of	**(99,135)**
Gain on disposal	**16,914**

Note:

The above transaction was considered as a non-cash transaction in the consolidated statement of cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 BUSINESS COMBINATION

In March 2019, the Company, through an indirect wholly-owned subsidiary, acquired 70% of the equity interests of Beijing Blue Sky Dark Horse Culture Media Co., Ltd. ("Beijing Dark Horse"), a film marketing planning company in Beijing, the PRC. Upon completion of the acquisition, Beijing Dark Horse became an indirect non-wholly-owned subsidiary of the Company.

(a) Consideration

The total cash consideration for the acquisition was RMB70,000,000, of which RMB60,000,000 was paid to the original shareholder of Beijing Dark Horse and RMB10,000,000 will be paid when conditions agreed by the original shareholder and the Group are met.

(b) Recognized amounts of identifiable assets acquired and liabilities assumed

The fair value of net assets of Beijing Dark Horse acquired as at the date of completion, are as follows:

	Fair Value RMB'000
Current assets	
Trade and other receivables, and prepayments	**780**
Cash and cash equivalents	**3,056**
Non-current assets	
Property, plant and equipment	**151**
Intangible assets	**13,000**
Current liabilities	
Trade and other payables, and accrued charges	**(227)**
Non-current liabilities	
Deferred income tax liabilities	**(3,250)**
Total identifiable net assets	**13,510**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 BUSINESS COMBINATION *(Continued)*

(c) Goodwill arising from the acquisition

The goodwill of RMB60,543,000 arises from the synergy with the Group and work force that did not meet the criteria for recognition as intangible assets. The excess amount of the cash consideration over the fair value of the net identifiable assets of Beijing Dark Horse is recognized as goodwill.

	As at the date of acquisition RMB'000
Total cash consideration	**70,000**
Less: fair value of net assets acquired by the Group	**(13,510)**
Add: non-controlling interests in net assets of Beijing Dark Horse	**4,053**
Goodwill	**60,543**

The goodwill arising on the acquisition is attributable to the segment of the internet-based promotion and distribution of the Group.

(d) Related costs for the acquisition of Beijing Dark Horse

	For the year ended March 31, 2019 RMB'000
Acquisition-related costs (included in administrative expenses in the consolidated statement of profit or loss for the year ended March 31, 2019)	**730**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 BUSINESS COMBINATION *(Continued)*

(e) Cash outflow for the acquisition

	For the year ended March 31, 2019
	RMB'000
Outflow of cash for the acquisition, net of cash acquired	
– Bank balances and cash acquired	**3,056**
– Cash consideration paid	**(60,000)**
Cash outflow for the acquisition	**(56,944)**

(f) Revenue and profit contribution impact

Beijing Dark Horse contributed revenue of RMB2,382,000 and net loss of RMB1,218,000 to the Group for the year ended March 31, 2019. Had Beijing Dark Horse been consolidated from April 1, 2018, the consolidated statement of profit or loss would show pro forma revenue of RMB3,043,438,000 and net loss of RMB292,533,000 respectively, which are calculated by aggregating the financial information of Beijing Dark Horse and the Group.

31 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the year/period but not yet incurred is as follows:

	As at March 31, 2019	As at March 31, 2018
	RMB'000	RMB'000
Investments in joint ventures	**78,890**	–
Property, plant and equipment	**15,444**	10,596

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 COMMITMENTS *(Continued)*

(b) Operating lease commitments – Group as lease

The Group leases office buildings under non-cancellable operating lease agreements. The lease terms are between 3 and 20 years, and the lease agreement is renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at March 31, 2019 RMB'000	As at March 31, 2018 RMB'000
No later than 1 year	**41,530**	69,555
Later than 1 year and no later than 5 years	**176,419**	258,360
Later than 5 years	**408,559**	482,448
	626,508	810,363

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 RELATED PARTY TRANSACTIONS

As at March 31, 2019, the Company is 50.65% owned by Ali CV. The remaining 49.35% of the Company's shares are widely held. The ultimate parent of the Company is AGHL, a company whose shares are listed on New York 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, 2019 RMB'000	For the fifteen months ended March 31, 2018 RMB'000
Sales of film and TV rights to associates	**–**	6,304
Sales of film and TV rights to AGHL's subsidiaries (Notes (i) & (ii))	**222,726**	95,349
Provision of services to AGHL's subsidiaries (Note (ii))	**65,762**	12,651
Provision of services to related companies of AGHL (Note (ii))	**9,477**	–
Provision of services to associates	**14,680**	31,101
Purchase of services from related companies of AGHL (Note (ii))	**70,592**	87,228
Purchase of services from AGHL's subsidiaries (Note (ii))	**63,772**	54,837
Purchase of services from an associate of AGHL	**2,236**	18,042

In the opinion of the Company's directors, these related party transactions were carried out in the ordinary course of business and in accordance with the terms of the underlying agreements.

Notes:

(i) Among the total revenue generated from sales of film and TV rights to AGHL's subsidiaries during the year ended March 31, 2019, RMB202,679,000 was derived from connected transactions of the Group entered into, and with the delivery of the relevant film and TV rights, during the year ended March 31, 2019, while RMB20,047,000 was derived from connected transactions of the Group entered into during the fifteen months ended March 31, 2018 with delivery of the relevant film and TV right during the year ended March 31, 2019.

(ii) During the year ended March 31, 2019, these transactions constituted connected transactions (including continuing connected transactions) of the Group under the Rules Governing the Listing of Securities on the HK Stock Exchange.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balances due from related parties

As at March 31, 2019, balances due from related parties comprised:

	As at March 31, 2019 RMB'000	As at March 31, 2018 RMB'000
Trade receivables		
Amounts due from AGHL's subsidiaries	**170,438**	61,756
Amounts due from associates	**62,134**	44,378
Amounts due from related companies of AGHL	**7,950**	–
Other receivables		
Amounts due from associates and joint venture	**62,786**	7,436
Amounts due from AGHL's subsidiaries	**8,763**	15,820
Amounts due from related companies of AGHL	**46**	961
Prepayments		
Prepayment to AGHL's subsidiaries	**–**	1,079
Prepayment to related companies of AGHL	**3,044**	28,548

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, 2019, balances due to related parties comprised:

	As at March 31, 2019 RMB'000	As at March 31, 2018 RMB'000
Trade payables		
Amounts due to AGHL's subsidiaries	**33,148**	26,948
Amounts due to a related company of AGHL	**30,405**	36,288
Other payables		
Amounts due to associates	**36,710**	47,960
Amounts due to AGHL's subsidiaries	**66,030**	33,270
Amounts due to related companies of AGHL	**117**	302

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

32 RELATED PARTY TRANSACTIONS *(Continued)*

(d) Key management compensation

Key management includes directors (executive and non-executive), chief executive officer, president and chief financial officer. The compensation paid or payable to key management for employee services is shown below:

	For the year ended March 31, 2019 RMB'000	For the fifteen months ended March 31, 2018 RMB'000
Salaries, allowances and other benefits	**5,869**	14,321
Share-based payments	**2,752**	3,399
Reversal of share-based payments upon lapse of share options granted to key management	**–**	(24,116)
	8,621	(6,396)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(a) Balanced sheet of the Company

	As at March 31, 2019 RMB'000	As at March 31, 2018 RMB'000
Assets		
Non-current assets		
Intangible assets	200	200
Investments in subsidiaries	5,063,503	4,738,503
Amounts due from subsidiaries	12,218,820	9,176,778
	17,282,523	13,915,481
Current assets		
Film and TV rights	1,485	1,712
Trade and other receivables, and prepayments	–	20,565
Cash and cash equivalents	2,399,877	1,310,211
Bank deposits with the maturity over three months	828,872	2,740,707
	3,230,234	4,073,195
Total assets	20,512,757	17,988,676
Equity and liabilities		
Equity attributable to owners of the Company		
Share capital	5,377,988	5,131,405
Reserves	13,736,052	12,384,062
Total equity	19,114,040	17,515,467
Current liabilities		
Trade and other payables, and accrued charges	39,705	4,338
Amounts due to subsidiaries	1,359,012	468,871
	1,398,717	473,209
Total liabilities	1,398,717	473,209
Total equity and liabilities	20,512,757	17,988,676

The balance sheet of the Company was approved by the Board of Directors on May 28, 2019 and was signed on its behalf.

Fan Luyuan
Executive Director & Chairman

Meng Jun
Executive Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(b) Reserve movement of the Company

	Share premium RMB'000	Share redemption reserve RMB'000	Shares held for share award scheme RMB'000	Contributed surplus RMB'000	Share-based compensation reserve RMB'000	(Accumulated losses)/ retained earnings RMB'000	Total RMB'000
At January 1, 2017	12,063,133	863	–	61,486	251,434	712,909	13,089,825
Issuance of shares under share award scheme	214,360	–	(263,881)	–	–	–	(49,521)
Shares purchased for share award scheme	–	–	(19,526)	–	–	–	(19,526)
Shares vested under share award scheme	–	–	134,971	–	(134,971)	–	–
Value of employee services provided under share option scheme and share award scheme	–	–	–	–	108,921	–	108,921
Value of employee services provided in relation to share-based payment transactions with AGHL	–	–	–	–	12,469	–	12,469
Loss for the period	–	–	–	–	–	(758,106)	(758,106)
At March 31, 2018	12,277,493	863	(148,436)	61,486	237,853	(45,197)	12,384,062
At April 1, 2018	**12,277,493**	**863**	**(148,436)**	**61,486**	**237,853**	**(45,197)**	**12,384,062**
Issuance of shares under share award scheme	**94,739**	**–**	**(127,937)**	**–**	**–**	**–**	**(33,198)**
Issuance of shares to Ali CV	**851,405**	**–**	**–**	**–**	**–**	**–**	**851,405**
Shares purchased for share award scheme	**–**	**–**	**(2,225)**	**–**	**–**	**–**	**(2,225)**
Shares vested under share award scheme	**–**	**–**	**42,692**	**–**	**(42,692)**	**–**	**–**
Value of employee services provided under share option scheme and share award scheme	**–**	**–**	**–**	**–**	**29,173**	**–**	**29,173**
Value of employee services provided in relation to share-based payment transactions with AGHL	**–**	**–**	**–**	**–**	**1,506**	**–**	**1,506**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**505,329**	**505,329**
At March 31, 2019	**13,223,637**	**863**	**(235,906)**	**61,486**	**225,840**	**460,132**	**13,736,052**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 SUBSIDIARIES

(a) The following is a list of the principal subsidiaries at March 31, 2019:

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 2019 (%)	2018 (%)	Proportion of equity interests held by non-controlling interests 2019 (%)	2018 (%)	Principal activities
Banford Limited	Hong Kong/Limited liability company	Hong Kong	Ordinary HK$10,000	**100**	100	**–**	–	Investment holding
Best Venue Limited	British Virgin Islands("BVI")/Limited liability company	Hong Kong	Ordinary US$1	**100**	100	**–**	–	Investment holding
C8M Limited	Hong Kong/Limited liability company	Hong Kong	Ordinary HK$10,000	**100**	100	**–**	–	Advertising services
Century First Limited	Hong Kong/Limited liability company	Hong Kong	Ordinary HK$1	**100**	100	**–**	–	Investment holding
China Allied Culture Limited	Hong Kong/Limited liability company	Hong Kong	Ordinary HK$1	**100**	100	**–**	–	Investment holding
China Allied Culture Media Group Limited	BVI/Limited liability company	Hong Kong	Ordinary US$1	**100**	100	**–**	–	Investment holding
China Entertainment Media Group Limited	Cayman Islands/Limited liability company	Hong Kong	Ordinary US$10,000 Preferred US$2,500	**100**	100	**–**	–	Investment holding
Gain Favour Limited	BVI/Limited liability company	Hong Kong	Ordinary US$1	**100**	100	**–**	–	Production and distribution of film rights
Huge Grand Investments Limited	BVI/Limited liability company	Hong Kong	Ordinary US$1	**100**	100	**–**	–	Production and distribution of film rights
Orient Ventures Limited	BVI/Limited liability company	Hong Kong	Ordinary US$1	**100**	100	**–**	–	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 SUBSIDIARIES *(Continued)*

(a) The following is a list of the principal subsidiaries at March 31, 2019: *(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 2019 (%)	2018 (%)	Proportion of equity interests held by non-controlling interests 2019 (%)	2018 (%)	Principal activities
SAC Enterprises Limited	Hong Kong/Limited liability company	Hong Kong	Ordinary HK$1,000	100	100	–	–	Provision of management services to group companies
SAC Nominees Limited	Hong Kong/Limited liability company	Hong Kong	Ordinary HK$100	100	100	–	–	Provision of nominee services
SAC Secretarials Limited	Hong Kong/Limited liability company	Hong Kong	Ordinary HK$100	100	100	–	–	Provision of secretarial services
Worthwide Limited	BVI/Limited liability company	Hong Kong	Ordinary US$1	100	100	–	–	Investment holding
Year Wealth Limited	BVI/Limited liability company	Hong Kong	Ordinary US$50,000	100	100	–	–	Investment holding
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
Zhonglian Jinghua (Note i)	PRC/Limited liability company	PRC	Registered Capital RMB10,000,000	–	–	–	–	Investment holding
Zhonglian Huameng (Shanghai) Culture Media Co., Ltd. 中聯華盟(上海)文化傳媒有限公司 (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB3,000,000	–	–	–	–	Investment in and production and distribution of film & TV rights

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 SUBSIDIARIES *(Continued)*

(a) The following is a list of the principal subsidiaries at March 31, 2019: *(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 2019 (%)	2018 (%)	Proportion of equity interests held by non-controlling interests 2019 (%)	2018 (%)	Principal activities
Beijing Asian Union Culture Media Investment Co., Ltd. 北京中聯華盟文化傳媒投資有限公司 (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB10,000,000	–	–	–	–	Investment in and production and distribution of film & TV rights
Huameng (Tianjin) Culture Investment Co., Ltd. 華盟(天津)文化投資有限公司 (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
Asian Union (Tianjin) Advertising Co., Ltd. 中聯華盟(天津)廣告有限公司 (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB7,500,000	–	–	–	–	Advertising and sale of entertainment related merchandise and derivatives
Guangdong Alibaba Pictures Yunzhi Software Co.,Ltd. 廣東阿里影業雲智軟件有限公司	PRC/Limited liability company	PRC	Registered Capital RMB10,000,000	100	100	–	–	Supply of cinema ticketing and connecting software systems
Beijing Ali Tao (Note i)	PRC/Limited liability company	PRC	Registered Capital RMB99,000,000	–	–	–	–	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 SUBSIDIARIES *(Continued)*

(a) The following is a list of the principal subsidiaries at March 31, 2019: *(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
				2019 (%)	2018 (%)	**2019 (%)**	2018 (%)	
Zhejiang Dongyang Alibaba Pictures Co., Ltd. 浙江東陽阿里巴巴影業有限公司 (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB50,000,000	**–**	–	**–**	–	Investment in and production and distribution of film & TV rights
Zhejiang Dongyang Xiaoyuzhou Movie & Media Co., Ltd. 浙江東陽小宇宙影視傳媒有限公司 (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB10,000,000	**–**	–	**–**	–	Investment in and production and distribution of film & TV rights
Beijing 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 LLC	USA/Limited liability company	USA	N/A	**100**	100	**–**	–	Investment holding
Alibaba Pictures International LLC	USA/Limited liability company	USA	N/A	**100**	100	**–**	–	Provision of management services to group companies
Alibaba Pictures Media LLC	USA/Limited liability company	USA	N/A	**100**	100	**–**	–	Investment in and production of film rights

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 SUBSIDIARIES *(Continued)*

(a) The following is a list of the principal subsidiaries at March 31, 2019: *(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 2019 (%)	Proportion of equity interests held by the Company 2018 (%)	Proportion of equity interests held by non-controlling interests 2019 (%)	Proportion of equity interests held by non-controlling interests 2018 (%)	Principal activities
Aurora Media (BVI) Limited	BVI/Limited liability company	Hong Kong	Registered Capital US$99,900,000	**100**	100	**–**	–	Investment holding
Aurora Media (HK) Limited	Hong Kong/Limited liability company	Hong Kong	Registered Capital US$99,900,000	**100**	100	**–**	–	Investment holding
Hangzhou Aurora Multi-Media Technology Co., Ltd. 杭州晨熹多媒體科技有限公司	PRC/Sino foreign cooperative	PRC	Registered Capital US$193,191,909	**96.7**	96.7	**3.3**	3.3	Online movie ticketing agent
Hangzhou Xingji (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB25,390,686	**–**	–	**–**	–	Film screening
Shanghai Tao Piao Piao (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
Tianjin Junsheng Pictures Management Co., Ltd (formerly known as Tianjin Alibaba Pictures Management Co., Ltd) 天津駿聲影業管理有限公司（前稱天津阿里巴巴影業管理有限公司）(Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB500,000,000	**–**	–	**–**	–	Construction of cinemas

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 SUBSIDIARIES *(Continued)*

(a) The following is a list of the principal subsidiaries at March 31, 2019: *(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
				2019 (%)	2018 (%)	**2019 (%)**	2018 (%)	
Tianjin Alibaba Pictures Development Co., Ltd. 天津阿里巴巴影業發展有限公司 (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB600,000,000	**–**	–	**–**	–	Construction of cinemas
Horgos Xiaoyuzhou Media Culture Co., Ltd 霍爾果斯小宇宙影視文化有限公司 (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB10,000,000	**–**	–	**–**	–	Investment in and production and distribution of film & TV rights
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 Taoyukuying Culture Media Co., Ltd 北京淘娛酷影文化傳媒有限責任公司 (Note iii)	PRC/Limited liability company	PRC	Registered Capital RMB39,000,000	**51**	51	**49**	49	Investment in and production and distribution of film & TV rights
Beijing Dark Horse Culture Media Co., Ltd. 北京藍天黑馬文化傳媒有限公司 (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB500,000	**–**	–	**–**	–	Film Distribution and Marketing
Zhongyu (Tianjin) Commercial Factoring Co., Ltd. 中娛(天津)商業保理有限公司 (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB50,000,000	**–**	–	**–**	–	Factoring

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 SUBSIDIARIES *(Continued)*

(a) The following is a list of the principal subsidiaries at March 31, 2019: *(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 2019 (%)	2018 (%)	Proportion of equity interests held by non-controlling interests 2019 (%)	2018 (%)	Principal activities
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
Tianjin Tao Piao Piao Weimeng New Media Technology Co., Ltd. 天津淘票票微夢新媒體科技有限公司 (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB10,000,000	–	–	–	–	Internet information service & advertising and marketing
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
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	–	30	–	Software development

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 AGHL).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 SUBSIDIARIES *(Continued)*

(a) The following is a list of the principal subsidiaries at March 31, 2019: *(Continued)*

The above list includes the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affect the results of the Group for the year or form a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

(b) Material non-controlling interests

The total non-controlling interests as at March 31, 2019 amounted to RMB95,752,000 (March 31, 2018: RMB120,202,000). No subsidiary has non-controlling interests that are material to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 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, 2019 is set out below:

	Fees RMB'000	Salary (Note ix) RMB'000	Discretionary bonuses RMB'000	Share -based compensation (Note x) RMB'000	Allowances and benefits in kind (Note xii) RMB'000	Employer's contributions to the retirement benefit scheme (Note b) RMB'000	Social security costs excluding retirement cost RMB'000	Total RMB'000
Name								
Executive directors								
Mr. Fan Luyuan (Note i)	-	-	-	-	-	-	-	-
Mr. Meng Jun (Note ii)	-	-	-	-	-	-	-	-
Mr. Yu Yongfu (Note v)	-	-	-	-	-	-	-	-
Ms. Zhang Wei (Note vi)	-	2,482	1,867	2,752	75	55	440	7,671
Non-Executive Directors								
Ms. Zhang Yu (Note iii & xi)	-	-	-	-	-	-	-	-
Mr. Chang Yang (Note iv & xi)	-	-	-	-	-	-	-	-
Mr. Shao Xiaofeng (Note vii & xi)	-	-	-	-	-	-	-	-
Mr. Li Lian Jie (Note viii & xi)	160	-	-	-	-	-	-	160
Independent non-executive directors								
Ms. Song Lixin (Note xi)	240	-	-	-	-	-	-	240
Mr. Tong Xiaomeng (Note xi)	292	-	-	-	-	-	-	292
Mr. Johnny Chen (Note xi)	258	-	-	-	-	-	-	258
	950	2,482	1,867	2,752	75	55	440	8,621

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

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

The remuneration of every director and the chief executives for the fifteen months ended March 31, 2018 is set out below:

	Fees	Salary (Note ix)	Discretionary bonuses	Share-based compensation (Note x)	Allowances and benefits in kind (Note xii)	Employer's contributions to the retirement benefit scheme (Note b)	Social security costs excluding retirement cost	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Name								
Executive directors								
Mr. Fan Luyuan (Note i)	–	–	–	–	–	–	–	–
Mr. Yu Yongfu (Note v)	–	–	–	–	–	–	–	–
Ms. Zhang Wei (Note vi)	–	3,103	1,068	3,399	237	85	238	8,130
Mr. Zhang Qiang (Note xiii)	–	5,873	–	(24,116)	169	262	344	(17,468)
Non-Executive Directors								
Mr. Shao Xiaofeng (Note vii & xi)	–	–	–	–	–	–	–	–
Mr. Li Lian Jie (Note viii & xi)	214	–	–	–	–	–	–	214
Independent non-executive directors								
Ms. Song Lixin (Note xi)	300	–	–	–	–	–	–	300
Mr. Tong Xiaomeng (Note xi)	364	–	–	–	–	–	–	364
Mr. Johnny Chen (Note xi)	321	–	–	–	–	–	–	321
	1,199	8,976	1,068	(20,717)	406	347	582	(8,139)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

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

Notes:

(i) The emoluments of Mr. Fan Luyuan were not included in director's emoluments as they were paid by AGHL.

(ii) Mr. Meng Jun was appointed as executive director on March 5, 2019. The emoluments of Mr. Meng Jun were not included in director's emoluments as they were paid by AGHL.

(iii) Ms. Zhang Yu was appointed as non-executive director on March 5, 2019. The emoluments of Ms. Zhang Yu were not included in director's emoluments as they were paid by AGHL.

(iv) Mr. Chang Yang was appointed as non-executive director on March 5, 2019. The emoluments of Mr. Chang Yang were not included in director's emoluments as they were paid by AGHL.

(v) Mr. Yu Yongfu resigned as executive director on March 5, 2019. The emoluments of Mr. Yu Yongfu were not included in directors' emoluments as they were paid by AGHL.

(vi) Ms. Zhang Wei resigned as executive director on March 5, 2019.

(vii) Mr. Shao Xiaofeng resigned as non-executive director on March 5, 2019. The emoluments of Mr. Shao Xiaofeng were not included in directors' emoluments as they were paid by AGHL.

(viii) Mr. Li Lian jie resigned as non-executive director on March 5, 2019.

(ix) 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.

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

(xi) During the year ended March 31, 2019, the total remuneration paid to each of Ms. Zhang Yu, Mr. Chang Yang, Mr. Li Lian Jie, Mr. Shao Xiaofeng, Ms. Song Lixin, Mr. Tong Xiaomeng and Mr. Johnny Chen comprised of director's fee and the fee for acting as chairman and/or member of the Company's board committees.

(xii) Includes housing allowances and estimated money value of other non-cash benefits: car, insurance premium and club membership.

(xiii) As Mr. Zhang Qiang resigned on June 23, 2017, the share-based payment expenses in relation to the unvested share options granted to him was reversed due to the lapse.

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, 2019 (The fifteen months ended March 31, 2018: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(b) Directors' retirement benefits

No retirement benefits were paid to or receivable by any directors in respect of their services in connection with the management of the affairs of the Company or its subsidiary undertaking during the year ended March 31, 2019 (The fifteen months ended March 31, 2018: nil).

(c) Directors' termination benefits

No payment was made to directors as compensation for early termination of the appointment during the year ended March 31, 2019 (The fifteen months ended March 31, 2018: 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, 2019 (The fifteen months ended March 31, 2018: 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 are 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, 2019. (The fifteen months ended March 31, 2018: nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transaction, arrangements and contracts in relation to the Group's business to which the group companies were parties and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the year ended March 31, 2019 (The fifteen months ended March 31, 2018: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(g) Directors' emoluments

The remuneration of directors is set out below:

For the year ended March 31, 2019

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
950	**7,671**	**8,621**

For the fifteen months ended March 31, 2018

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
1,199	(9,338)	(8,139)

FINANCIAL SUMMARY

RESULTS

	For the year ended December 31, 2014 RMB'000	2015 RMB'000	2016 RMB'000	For the fifteen months ended March 31, 2018 RMB'000	**For the Year ended March 31, 2019 RMB'000**
Continuing operations					
Revenue	126,631	263,717	904,582	3,302,783	**3,033,844**
Profit/(loss) before income tax	(362,873)	486,782	(957,495)	(1,759,647)	**(280,887)**
Income tax expenses	(17,381)	(14,079)	(18,649)	(35,313)	**(15,063)**
Profit/(loss) for the year from continuing operations	(380,254)	472,703	(976,144)	(1,794,960)	**(295,950)**
Discontinued operations					
Profit/(loss) for the year from discontinued operations	(35,037)	(6,689)	–	–	**–**
Profit/(loss) attributable to:					
Owners of the Company	(417,276)	466,040	(958,576)	(1,658,647)	**(253,570)**
Non-controlling interests	1,985	(26)	(17,568)	(136,313)	**(42,380)**
	(415,291)	466,014	(976,144)	(1,794,960)	**(295,950)**

ASSETS AND LIABILITIES

	As at December 31, 2014 RMB'000	2015 RMB'000	2016 RMB'000	As at March 31, 2018 RMB'000	**As at March 31, 2019 RMB'000**
Total assets	6,337,432	18,975,861	19,563,062	14,982,583	**16,617,783**
Total liabilities	(270,364)	(2,782,281)	(2,431,130)	(885,684)	**(1,665,558)**
Total equity	6,067,068	16,193,580	17,131,932	14,096,899	**14,952,195**
Non-controlling interest	588	2,231	(213,909)	(120,202)	**(95,752)**
Equity attributable to owners of the Company	6,067,656	16,195,811	16,918,023	13,976,697	**14,856,443**