阿里巴巴影业集团™
Alibaba Pictures

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

ANNUAL REPORT 2022/23

Stock Code:1060

This Annual Report is printed on environmentally friendly paper

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CORPORATE INFORMATION

BOARD (THE "BOARD") OF DIRECTORS OF THE COMPANY (THE "DIRECTOR(S)")

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

Non-Executive Directors
Mr. Tung Pen Hung (Appointed on May 15, 2023)
Mr. Liu Zheng (Resigned on May 15, 2023)

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

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

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

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

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

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

LEGAL ADVISORS
Mayer Brown

AUDITOR
PricewaterhouseCoopers
Certified Public Accountants and
Registered Public Interest Entity Auditor

WEBSITE
www.alibabapictures.com

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

REGISTERED OFFICE
Clarendon House, 2 Church Street
Hamilton, Pembroke, HM 11
Bermuda

HEAD OFFICE
Block B, Wangjing
Ali Center
Building 4, Zone 4, Wangjing East Park
Chaoyang District
Beijing, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
26/F, Tower One
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
MUFG Fund Services (Bermuda) Limited
4th Floor North Cedar House
41 Cedar Avenue, Hamilton HM 12, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Secretaries Limited
Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong

STOCK CODE
1060

CHAIRMAN'S STATEMENT

Dear Shareholders,

After more than three years of struggling in tough market environment due to the COVID-19 pandemic, the dawn was finally in sight for the cultural and entertainment industry. In the second half of 2023 financial year, as the state government continued to optimize pandemic prevention and control policies, we had witnessed a strong recovery of the industry as well as the market. Based on its insight into the strong demand in the cultural and entertainment industry, Alibaba Pictures Group Limited (the "Company" or "Alibaba Pictures", together with its subsidiaries, the "Group") captured the potential needs of consumers for high quality "content", and empowered the general recovery and further development of the industry with technology.

Alibaba Pictures is committed to promoting technological innovation and aspires to be an industry leader. "Leah" (厘里Leah), the first "hyper-real" virtual idol of the Group's "Movie + Performance" joint membership program and the brand spokesperson of "Taomai VIP" (淘麥VIP), turned out to be a great success. Leah is created with AIGC (AI Generated Content) technology and is comparable to real person. As an icon embodying the youthfulness and trend proposition of the brand across different dimensions, it has the potential to significantly improve the efficiency of various productions.

Currently, AIGC is widely adopted in the cultural and entertainment industry. Apart from handling tedious and burdensome post-production tasks, AIGC can be applied in basic content creation, script generation, virtual character and scene setting. Based on big data analysis, AIGC also serves as a powerful tool to create targeted and customized entertainment experience for audiences, and optimize content design and marketing for companies in the industry. With the rapid evolution of artificial intelligence, it is expected that AIGC would further enhance efficiency and reduce costs, and emerge as a game-changer in the entertainment industry.

Over the past three years, with its focus on content to explore multiple business models, Alibaba Pictures continued to tap the new potential of AIGC, while pushing ahead with the upgrade dual engine strategy featuring "content and technology". By offering curated content and empowered by innovative technology, the Group has increased its investments in technology which creates long-term value, enabling it to proactively optimize its business management strategy and to achieve solid business growth.

For the financial year ended March 31, 2023 (the "Reporting Period"), Alibaba Pictures recorded revenue of approximately RMB3.52 billion, remaining largely stable compared to the Corresponding Period. During the Reporting Period, the Group recorded a loss of approximately RMB291 million due to the losses arising from its listed equity investments. After excluding such loss not arising from the ordinary course of business, the adjusted EBITA maintained a profit of approximately RMB295 million, a substantial increase of approximately RMB152 million year-over-year.

Content segment is one of the Group's core businesses. Alibaba Pictures has been committed to creating high-quality content, while producing and presenting a variety of movies and drama series. During the Reporting Period, benefiting from the Group's forward-looking layout in the content industry and steady improvement in its production and development capabilities, the Group produced and distributed a total of 26 films, generating over RMB16.3 billion in the box office and maintained high-quality content hit rates. 12 of these films ranked among the top 20 domestic films released during the same period in terms of box office, including "*The Wandering Earth 2* (流浪地球2)", which ranked second in terms of the box office revenue during the Chinese Lunar New Year; "*Moon Man* (獨行月球)" and "*Lighting Up the Stars* (人生大事)", which ranked first and second respectively in terms of the box office revenue during the summer movie season, as well as "*Post Truth* (保你平安)" and "*Suzume* (鈴芽之旅)", which were released in the first quarter of 2023 and emerged as box office "dark horses".

CHAIRMAN'S STATEMENT

The technology business is an important part of the Group's strategy and an essential force in the construction of the Group's pan-entertainment infrastructure that increases the use of technology in various aspects in the entertainment industry. The segment mainly comprises platform ticketing, digitalization and other technology products. During the Reporting Period, Tao Piao Piao maintained its dominant position as a ticketing platform, and cooperated with Damai to further optimize the "Taomai VIP" membership program and offer better experience to VIP members. The number of Taomai VIP members exceeded 15 million during the Reporting Period. The multidimensional collaboration between Leah (the brand spokesperson of "Taomai VIP") and "*Suzume* (鈴芽之旅)" laid a solid foundation for the Group's new sales model through integrating digital humans with other movies and drama series in the future. Yunzhi, a leading cloud-based digital intelligence product that offers operation and management services to cinemas, is designed to use technology to help cinemas improve operating and management efficiency and reduce their operating costs. During the Reporting Period, Yunzhi ranked first among industry peers in terms of the number of ticket-issuing cinemas. The Group's digitalization platform business comprises an integrated content promotion and distribution platform, consisting of "Beacon (燈塔)" (a promotion and distribution platform), "Dark Horse (黑馬)" (a comprehensive marketing solutions designer) and "Taoxiu Media Group (淘秀光影)" (a content marketing agency), for the purpose of providing a comprehensive coverage of marketing services, and provides live streaming marketing services and content marketing services on an exclusive basis for a number of films, drama series and variety shows. Other technology products of the Group include the Cloud Production business, which is closely integrated with the production of film content and drama series content, and has supported more than 300 projects in the pan-entertainment industry during the Reporting Period. The Group will continue to explore opportunities in smart digital technology business, use technology in the film production process and use innovative technology to create film content and drama series content.

The IP merchandising and commercialization business is also the core business of Alibaba Pictures for expanding its presence in the entertainment industry. The Group has an abundant reserve of heartwarming and storytelling IPs which could express and convey consumers' emotions and needs. IP merchandises provide consumers with a richer, better and more tangible product experience. The Group is able not only to explore IP contents, but also build up a service platform and online and offline sales channels focusing on IPs, allowing consumers to build a deeper connection with IP characters and their stories.

To better connect with its consumers, the Group created a series of distinctive pop toys by combining the IPs of its pop toy brand "KOITAKE", namely, "*Moon White* (月白)", "*Jelly – Comedian* (果凍–喜劇人)" and "YOKUKU", with a number of films, drama series and variety shows. Those pop toys showcase the personalities of drama characters and feature iconic drama scenes. The Group created pop toys based on "*Moon Man* (獨行月球)" (the Group's summer blockbuster), "*Immortal Samsara* (沉香如屑)" and "*Till the End of the Moon* (長月燼明)" (each a popular drama series broadcast on Youku), and "*Empresses in the Palace* (甄嬛傳)" (a classic Chinese drama series). Apart from pop toys, the Group is committed to acquiring high-quality IPs, enhancing their visibility in the market, facilitating its business partners to generate economic benefits from those IPs, and offering innovative products to meet consumer needs. During the Reporting Period, the Group entered into an agreement with Sanrio, where the Group could enjoy an exclusive right, to manufacture and sell merchandises of 26 Sanrio characters, such as Hello Kitty, Melody and Little Twin Stars, in Mainland China. The cooperation allows the Group to introduce more high-quality IP products, to provide consumers with a richer product experience and to form a win-win situation with its business partners.

CHAIRMAN'S STATEMENT

Leveraging on the unique advantage of the dual engine strategy featuring "content + technology", the strategic planning and intensive investment in the markets for many years, as well as the synergy with Alibaba's ecosystem, Alibaba Pictures keeps forging ahead against all odds and overcomes various difficulties together with other players in the market, managing to make it through the winter of the cultural and entertainment industry. As the pandemic in China coming to an end, we have seen the rising enthusiasm of creators and audiences, and a turnaround in the average number of viewers since the beginning of the year. In view of the optimistic prospect of the industry, Alibaba Pictures will continue to leverage its unique strengths in content and technology to offer diversified content at different points in time and through multiple channels, while benefiting more market participants and the cultural industry.

Looking ahead, the Group will continue to uphold the value of selflessness involving ordinary persons performing heroic deeds that grows strong sentiment and positive vibes, and stay true to its mission and objective to build the infrastructure across the entertainment industry chain, while persisting in innovation and synergy in the midst of changes with in-depth strategic planning in the pan-entertainment industry, and striving to achieve diversified development of business segments and deliver greater value for the Company and its shareholders (the "Shareholders") with business growth.

I would like to thank the Board of Directors, all of our business partners, employees, investors and customers for their continued support to the Group amid a dynamic macro environment full of uncertainties. In particular, I would like to commend all employees for devoting themselves to their work during the pandemic to support the smooth operation of the Group. With the Group's brand reputation and the outstanding talent of our management team, I am confident that the Group is well-positioned to cope with the complex and volatile market environment and set a benchmark for "content + technology" in domestic film industry.

Fan Luyuan
Chairman & Chief Executive Officer
Hong Kong, May 31, 2023

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the Reporting Period, in the face of complex and ever-changing market environment, the Group is committed to its dual engine strategy featuring content and technology. By offering curated content and being empowered by innovative technology, the Group continues to explore business models and has increased its investments in technology which creates long-term value for the Group, enabling it to proactively optimize its business management strategy and to achieve solid business growth.

The Group's revenue was approximately RMB3,520 million for the Reporting Period, compared to approximately RMB3,652 million for the Corresponding Period. The Group's revenue for the Reporting Period remained largely stable compared to the Corresponding Period, demonstrating the resilience of its business operations, despite market fluctuations caused by the COVID-19 pandemic, as a result of the dual engine strategy. Due to the diversified business structure and improved operating efficiency, the adjusted EBITA increased significantly by approximately RMB152 million from a profit of approximately RMB143 million for the Corresponding Period to approximately RMB295 million for the Reporting Period.

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

	For the year ended March 31,	
	2023	2022
	RMB'000	RMB'000
Operating (loss)/profit	**(220,972)**	279,216
Add:		
Share-based compensation	**147,152**	146,891
Amortization of intangible assets arising on business combinations	**12,669**	12,642
Allowance for impairment, and disposals, of long-term assets	**–**	(17,423)
Profit or loss on equity investment and change in fair value, net	**356,228**	(277,976)
Adjusted EBITA	**295,077**	143,350

MANAGEMENT DISCUSSION AND ANALYSIS

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

	For the year ended March 31,			
	Segment revenue		**Segment results**	
Segments	**2023**	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000
Content	**1,709,301**	1,947,857	**281,603**	317,493
Technology	**1,267,539**	1,264,058	**344,951**	430,949
IP merchandising and commercialization	**543,517**	440,255	**156,273**	197,103
Total	**3,520,357**	3,652,170	**782,827**	945,545

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

The Group's revenue was approximately RMB3,520 million for the Reporting Period, a decrease of approximately RMB132 million compared to the Corresponding Period. Due to impacts of the COVID-19 pandemic on the film industry and consumer market, the Group recorded a year-over-year decrease in revenue from film and drama series content, and its revenue from the content segment decreased by approximately RMB239 million from RMB1,948 million for the Corresponding Period to approximately RMB1,709 million for the Reporting Period. By promoting synergy between live events and offline viewing, revenue from the Group's technology segment remained stable at approximately RMB1,268 million for the Reporting Period compared to the Corresponding Period. By acquiring high-quality IPs and launching IP commercialized products continually, the Group's revenue from the IP merchandising and commercialization segment was approximately RMB544 million for the Reporting Period, an increase of approximately RMB103 million compared to the Corresponding Period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Content

Content segment is the Group's core business, mainly comprising content from films, drama series and other types of content. Due to the COVID-19 pandemic, the total box office revenue in Mainland China was RMB31.8 billion for the Reporting Period, a year-over-year decrease by 26% (or approximately RMB11.1 billion) compared to the Corresponding Period. Benefiting from the Group's forward-looking layout in the content industry and steady improvement in its production and development capabilities, the Group produced and distributed a total of 26 films covering various genres such as comedy, romance, drama series and animation during the Reporting Period, which maintained good hit rates despite the industry slump. 12 of these films ranked among the top 20 films released during the same period in terms of box office, including "*The Wandering Earth 2* (流浪地球2)", which ranked second in terms of the box office revenue during the Chinese Lunar New Year; "*Moon Man* (獨行月球)" and "*Lighting Up the Stars* (人生大事)", which ranked first and second respectively in terms of the box office revenue during the summer movie season, as well as "*Post Truth* (保你平安)" and "*Suzume* (鈴芽之旅)", which were released in the first quarter of 2023. The films invested by the Group won numerous awards in the industry, such as the 35th China Golden Rooster Awards (i.e. one of the most prestigious and coveted awards in the industry) for Best Actor, Best Director, Best Feature Film and Best Art Design. The Group has a rich content reserve, with a number of high-quality films which promote the value of selflessness involving ordinary persons performing heroic deeds that grows strong sentiment and positive vibes, such as "*Lost in the stars* (消失的她)", "*All Ears* (不虛此行)", "*Be My Family* (無價之寶)", "*Chang'an* (長安三萬里)", "*I Did It My Way* (潛行)", "*Advancing of ZQ* (超能一家人)", "*Meg 2: The Trench* (巨齒鯊2：深淵)" and "*The Ex-File 4* (前任4：英年早婚)". These films have either been scheduled for release (subject to market conditions) or are in the process of being scheduled.

In addition to the significant investment in films, the Group has also been expanding its presence in other field of the content industry. Through the operation of studios, the Group has established close relationships with platforms, screenwriters and business partners, and continues to create high-quality content amidst the industrialization of content production. During the Reporting Period, the Group's studios continued to release works that were widely recognized by the Chinese market. The works include sports-themed drama series "*Falling into You* (熾道)" (a production of Dunqi Studio (敦淇工作室)) which topped the Weibo drama influence chart eight times, and ranked first in terms of weekly popularity on TikTok and daily popularity on Youku for 20 consecutive days; urban-themed romance drama series "*Lighter & Princess* (點燃我，溫暖你)" (adapted from a popular novel "*Lighter & Skirt* (打火機與公主裙)") which obtained a good rating of 7.5 on Douban, was very popular on Youku, had over 690 related searches on Weibo and ranked first in terms of weekly popularity on various platforms, in particular Weibo and TikTok, numerous times during its broadcast; suspenseful blockbuster drama series "*Be Reborn* (重生之門)" which accounted for almost 11% of the total audience share measured by Beacon (燈塔正片播放市佔率) and received lots of positive feedback and comments from multiple media companies and was a finalist of the prestigious 31st China TV Golden Eagle Award for Outstanding Television Series; and self-produced drama series "*Rising Lady* (她們的名字)" (a production of Shisui Studio (拾穗工作室), released on Zhejiang STV and Youku) with the viewership ratings exceeding 1.8%, which ranked first in terms of the total audience share measured by Beacon (燈塔正片播放市佔率) for two consecutive weeks and was widely discussed on platforms such as Weibo and TikTok. The Group would continue to invest in high-quality content that could connect with the audience and could create timeless, touching and popular works. The Group plans to release its self-produced drama series, such as medical drama series "*Surgery Live Room* (手術直播間)", motivational drama series "*Pegasus* (飛馳人生)", rural-themed drama series "*Fifth Place Fortune* (第五名發家)" and urban-themed romance drama series "*Endless Love* (亦舞之城)".

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's revenue from the content segment was approximately RMB1,709 million for the Reporting Period, a decrease of approximately 12% compared to approximately RMB1,948 million for the Corresponding Period. The Group's segment result from the content segment was approximately RMB282 million, a decrease of approximately 11% compared to approximately RMB317 million for the Corresponding Period.

Technology

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

The Group's platform ticketing business includes Tao Piao Piao (2C platform), Yunzhi (2B platform) and 北京大麥文化傳媒發展有限公司 (Beijing Damai Cultural Media Development Co., Ltd.*) ("Beijing Damai") (which the Group is entrusted to manage and operate Beijing Damai's live entertainment business). Tao Piao Piao is an important platform of the Group, which provides ticketing services to cinemas and caters for consumers at large when they make their viewing decisions. During the Reporting Period, Tao Piao Piao and Beijing Damai jointly improved their "Taomai VIP" (淘麥VIP) membership program, where VIP members can have ticketing privileges and better consumer experience, such as ticket price discounts, VIP fast pass and access to star-studded events. As of March 31, 2023, the number of Taomai VIP members exceeded 15 million.

The Group has been exploring ways to integrate technology with members-oriented business. It introduced its first "hyper-real" virtual idol, namely Leah. Leah was appointed as a digital brand spokesperson of Taomai VIP and other projects. Digital humans are part of the Group's smart digital technology business. The multi-dimensional collaboration between Leah and "*Suzume* (鈴芽之旅)" laid a solid foundation for the Group's new sales model through integrating digital humans with other movies and drama series in the future.

Yunzhi, a leading cloud-based digital intelligence product that offers operation and management services to cinemas, is designed to use technology to help cinemas improve operating and management efficiency and reduce their operating costs. During the Reporting Period, Yunzhi ranked first among industry peers in terms of the number of ticket-issuing cinemas. To integrate live entertainment business with the Group's business, the Group provided Beijing Damai with entrusted operation management services during the Reporting Period to enhance operating efficiency while jointly exploring the business potential of live entertainment. Beijing Damai's live entertainment business expanded into the markets in Hong Kong and Macao, China, and such expansion laid a solid foundation for Beijing Damai to expand its business into new jurisdictions or areas.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Other technology products of the Group include the Cloud Production business, which is closely integrated with the production of film content and drama series content. Cloud Production is a digital product covering the entire production process and production scenarios and is designed to promote the industrialization for upgrading the pan-entertainment industry. Featured functions include production crew management, shooting management and financial management, which can assist production companies and crew in monitoring filming quality and filming progress, improving production efficiency and reducing production cost. During the Reporting Period, Cloud Production used its core technology to support more than 300 projects in the pan-entertainment industry, covering various genres such as drama series, films, animation, variety shows and documentaries. In addition, Cloud Production launched a new live event management system, which enables the production crew to control the filming quality on-site and to collaborate more efficiently. The function has been used by a number of production crew.

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

The Group's revenue from the technology segment was approximately RMB1,268 million for the Reporting Period and remained largely stable compared to the Corresponding Period. The Group's segment result from the technology segment was approximately RMB345 million, a decrease of 20% compared to the Corresponding Period. The decrease was primarily due to an adverse impact of the COVID-19 pandemic on the film market in Mainland China.

IP merchandising and commercialization

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

To better connect with its consumers, the Group created a series of distinctive pop toys by combining the IPs of its pop toy brand "KOITAKE", namely, "AZZO", "*Moon White* (月白)", "*Jelly – Comedian* (果凍 – 喜劇人)" and "*YOKUKU*", with a number of movies, drama series and variety shows. Those pop toys showcase the personalities of drama characters and feature iconic drama scenes. During the Reporting Period, the Group created pop toys based on "*Moon Man* (獨行月球)" (the Group's summer blockbuster), "*Immortal Samsara* (沉香如屑)" and "*Being a Hero* (冰雨火)" (each a popular drama series broadcast on Youku), "*Street Dance of China Season 5* (這！就是街舞五)" (a popular variety show broadcast on Youku) and "*Empresses in the Palace* (甄嬛傳)" (a classic Chinese drama series). During the Reporting Period, the Group also partnered with studio artists to launch, on an exclusive basis, pop toys "*Aroma Princess – Dunhuang Giraku* (香料公主 – 敦煌伎樂系列)" and "*Kayla's Asylum* (凱拉十世 – 瘋人院系列)", offering rich content to meet the demands of different consumers.

MANAGEMENT DISCUSSION AND ANALYSIS

Apart from pop toys, the Group is committed to acquiring high-quality IPs, enhancing their visibility in the market, facilitating its business partners to generate economic benefits from those IPs, and offering innovative products to meet consumer needs. During the Reporting Period, the Group entered into an agreement with Sanrio, where the Group could enjoy an exclusive right, with a term of 5 years commenced on January 1, 2023, to manufacture and sell merchandises of 26 Sanrio characters, such as Hello Kitty, Melody and Little Twin Stars, in Mainland China. The number of the Group's IPs and consumers increased as a result. The cooperation allows the Group to introduce more high-quality IP products, to provide consumers with a richer product experience and to form a win-win situation with its business partner.

During the Reporting Period, the online platform operated by the Group in Mainland China provided fundraising and integrated e-commerce marketing services, on an exclusive basis, to "*The Wandering Earth 2* (流浪地球2)" (which ranked second in terms of the box office revenue during the Chinese Lunar New Year) and raised funds exceeding RMB130 million.

The Group is not only a discoverer of IP content, but also a service platform to commercialize IPs. Backed by the Group's licensing and marketing capabilities, the Group could integrate the resources across Alibaba's ecosystem and provide comprehensive distribution channels connecting both corporate customers and individual consumers (IP2B2C). The Group aims to help develop the licensing industry in Mainland China by providing leading merchants with ongoing support, incubating new brands and exploring popular and emerging trends. During the Reporting Period, sales within the category of toys and figures at Tmall increased by 27% year-over-year as the Group introduced crossover products and seasonal and innovative products.

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

The Group's revenue and segment result from the IP merchandising and commercialization segment were approximately RMB544 million and approximately RMB156 million for the Reporting Period, respectively. The Group's revenue increased by 23% year-over-year; whereas the Group's segment result decreased by approximately RMB41 million, mainly due to the closure of offline stores during the COVID-19 pandemic and the Group's investments to improve the quality of IPs and products.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

As the cultural and entertainment industry continued to recover, the total box office revenue was approximately RMB6,765 million during the Chinese Lunar New Year in 2023, reaching the pre-pandemic level. Against this backdrop, the Group would further increase its presence in the pan-entertainment industry through enhancing its dual engine strategy featuring content and technology. In the face of a complex and ever-changing market environment, the Group will continue to invest in high-quality content, innovations and customer value and to focus on three key areas for its business growth: creating high-quality content, building the infrastructure in the cultural and entertainment industry and enriching the pan-entertainment ecosystem. The Group will continue to collaborate with Alibaba's ecosystem and to leverage its unique strengths in content and technology to offer diversified content at different points in time and through multiple channels, while benefiting more market participants and the cultural industry.

Looking ahead, the Group will continue to:

1. make significant investments in a full range of entertainment content and improve its capabilities to produce a broader set of content, including film content and drama series content, with a view to delivering high-quality content to the market steadily;

2. expand the scope of its technology platform services and explore business opportunities associated with digital humans and explore multiple business models for IP merchandising and commercialization; and

3. promote its collaboration and cooperation within Alibaba's ecosystem to unlock the potential of "content + technology".

The Group expects to finance its business initiatives in the financial year ending March 31, 2024 with its own internal resources, but may seek external financing if appropriate opportunities and conditions arise.

FINANCIAL REVIEW

Revenue and Profit

During the Reporting Period, the Group's revenue was approximately RMB3,520 million, which remained largely stable compared to the Corresponding Period. The Group recorded a turnaround from profit to loss, and the net loss attributable to owners of the Company was approximately RMB291 million, for the Reporting Period, primarily due to the loss on the Group's listed equity investments. After excluding such loss and other relevant items, the Group's adjusted EBITA for the Reporting Period remained positive and was approximately RMB295 million, an increase of 106% year-over-year.

Basic and diluted loss per share of the Company (the "Share") decreased from earnings per Share of RMB0.64 cents for the Corresponding Period to loss per Share of RMB1.09 cents for the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling, Marketing and Administrative Expenses

Selling and marketing expenses of the Group decreased by approximately RMB216 million year-over-year from approximately RMB565 million for the Corresponding Period to approximately RMB349 million for the Reporting Period. Selling and marketing expenses as a percentage of revenue decreased from 15% for the Corresponding Period to 10% for the Reporting Period, reflecting the Group's prudence in incurring marketing expenses in the face of market uncertainties.

Administrative expenses of the Group decreased by approximately RMB157 million year-over-year from approximately RMB925 million for the Corresponding Period to approximately RMB768 million for the Reporting Period as the Group improved its operating efficiency whilst reducing cost.

Net Finance Income

During the Reporting Period, the net finance income of the Group was approximately RMB109 million, mainly comprising interest income on bank deposits and gains on foreign exchange. As the Group held cash reserves in various foreign currencies, gains on foreign exchange were due to the depreciation of RMB against U.S. dollar ("USD") during the Reporting Period.

Material Investments

As of March 31, 2023, the Group held 17 investments in joint ventures and associates, all of which were accounted for using the equity method, with a total book value of approximately RMB1,827 million. As of March 31, 2023, the Group also held 13 investments in unlisted companies and one investment in a listed company, all of which were classified as financial assets at fair value through profit or loss, with a total book value of approximately RMB760 million.

The Group's three largest investments were Bona Film Group Co., Limited ("Bona Film"), YH Entertainment Group and Shanghai Tingdong Film Co., Ltd.* (上海亭東影業有限公司), all of which were engaged in the film production and distribution business, artist management and other pan-entertainment businesses. The investment in Bona Film constitutes a significant investment of the Group, with an investment amount of approximately RMB840 million, representing approximately 6.18% of the equity interest in Bona Film. As of March 31, 2023, the carrying amount of the Group's long-term equity investment in Bona Film was approximately RMB883 million, representing 5.67% of the Group's total assets. During the Reporting Period, the Group did not receive any dividend and recorded an unrealized loss of approximately RMB138 million in respect of such investment. The management of the Company expects that there will not be material adverse change in its investment in Bona Film in the financial year ending March 31, 2024, but its value may still be affected by future market conditions.

The Group adopted a conservative investment strategy to manage its investment portfolio (including its investment in Bona Film) during the Reporting Period. Save as disclosed in this report, the Group did not have other plans for material investments and capital assets as of March 31, 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Resources and Liquidity

As of March 31, 2023, the Group held cash and cash equivalents and bank deposits with the maturity within one year of approximately RMB3,920 million (March 31, 2022: approximately RMB3,560 million), which were denominated in RMB, USD and Hong Kong dollar. As of March 31, 2023, the Group had a net cash position with a gearing ratio (being net borrowings over total equity) of nil (March 31, 2022: nil). The Group actively and regularly reviews and manages its capital structure to maintain a balance between shareholder returns and a sound capital position. The Group may make adjustments, where necessary, to maintain an optimal capital structure and to reduce the cost of capital. Further, the Group may purchase wealth management products, where appropriate, in line with its treasury and investment policies, after taking into account, among other things, level of risk, return on investment, liquidity and term of maturity.

Foreign Exchange Risks

While the majority of the Group's production costs and administrative costs are denominated and settled in RMB, the Group requires foreign currencies for some of its offshore investments and collaborations with studios outside Mainland China. The Group will continue to closely monitor its capital needs and manage foreign exchange risks accordingly. As of March 31, 2023, the Group did not have a foreign currency hedging policy nor has it used any currency hedging instruments or financial instruments for hedging purpose, but will closely monitor its foreign currency exposure in a cost-effective manner.

Charge on Assets

As of March 31, 2023, the Group did not have any indebtedness secured by assets. As of March 31, 2022, the Group's fixed assets with a value of approximately RMB9 million were pledged for borrowings in the amount of approximately RMB9 million.

Contingent Liabilities

As of March 31, 2023, the Group did not have any material contingent liabilities (March 31, 2022: nil).

Material Acquisitions and Disposals

During the Reporting Period, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

MANAGEMENT DISCUSSION AND ANALYSIS

Employees and Remuneration Policies

As of March 31, 2023, the Group had 1,393 employees (March 31, 2022: 1,334 employees). The total employee benefit expenses of the Group were approximately RMB860 million for the Reporting Period (March 31, 2022: approximately RMB649 million). The remuneration policies of the Group are determined based on prevailing market rates and the performance of the Group and individual employees. These policies are reviewed on a regular basis. The Group strongly believes that our staff is an invaluable asset to the Group and is significant to the Group's business. Therefore, the Group recognizes the importance of maintaining a good relationship with employees. In addition to salary, the Group also provides its employees with fringe benefits, including year-end bonuses, discretionary bonuses, share options under the Company's share option schemes, awarded Shares under the Company's share award scheme, contributory provident fund, social security fund, medical benefits and training.

Details of the basis of determining the emolument payable to the Directors, please refer to the section headed "CORPORATE GOVERNANCE REPORT – BOARD COMMITTEES – Remuneration Committee" on pages 92 and 93 of this report.

Subsequent Events

There was no important event which might affect the Group after March 31, 2023 and up to the date of this report.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. FAN Luyuan, aged 50 and appointed to 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 chairman and chief executive officer of Alibaba Digital Media and Entertainment Group. He joined Alipay in 2007, and served consecutively as senior director of Development Department, assistant president, vice president and senior vice president. He was also president of Alipay Business Unit and Wealth Management Business Unit at Ant Financial Services Group. In 2010, he and his team pioneered the first ever Quick Payment, which improved the success rate of online transactions and greatly enhanced user experience. In 2013, Mr. Fan led his team to create Yu'e Bao, which is now one of the world's largest financial products on the internet with over 600 million users, allowing mass consumers to be able to benefit from easy access to financial products. In addition, he and his team made the Alipay APP one of the most popular internet products in China within three years. He holds an executive master's degree in business administration from Cheung Kong Graduate School of Business.

Mr. LI Jie, aged 48 and appointed to the Board on June 24, 2020, is an executive Director and a member of the executive committee of the Company. Mr. Li joined the Group on October 1, 2017 and is currently the president of the Group, responsible for the investment, promotion and distribution of films and the user platform business in Mainland China. He is also a director of certain subsidiaries of the Company. Mr. Li is a vice president of Alibaba Group Holding Limited ("AGH", together with its subsidiaries, "Alibaba Group") and the president of Beijing Damai. Mr. Li is also a non-executive director of AGTech Holdings Limited (Hong Kong Stock Exchange ("SEHK") stock code: 8279).

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

Mr. MENG Jun, aged 43 and appointed to the Board on March 5, 2019, is an executive Director, chief financial officer and a member of the executive committee of the Company. He is also a director of certain subsidiaries of the Company. Mr. Meng joined the Group on April 9, 2018. Before joining the Group, Mr. Meng served at Alibaba Group, where he held key financial management positions at a number of business units, including among others, Tao Dian Dian, Taobao Movie (now known as Tao Piao Piao), Tmall Supermarket and Alibaba Digital Media and Entertainment Group; he continues to hold some of these positions after joining the Group. Prior to joining Alibaba Group, Mr. Meng held auditing and financial advisory positions at various companies, such as E&Y and IBM. Mr. Meng has been a non-independent director of Bona Film Group Co., Limited (SZSE stock code: 001330) since May 2023. Mr. Meng holds a bachelor's degree in economics from Beijing Technology and Business University.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Non-Executive Director

Mr. TUNG Pen Hung, aged 53 and appointed to the Board on May 15, 2023, is a non-executive Director. Mr. Tung has been the president of corporate development department of Alibaba Group since May 2023. From January 2016 to April 2023, he was the chief marketing officer of Alibaba Group. He was also the president of Alimama from November 2017 to November 2018. He was the chief executive officer of VML China, a marketing agency, from October 2010 to January 2016. Prior to joining VML China, he was at PepsiCo China from October 2004 to October 2010 where he served as vice president of marketing. Prior to that, Mr. Tung worked at Proctor & Gamble from 1995 to 1998, Gigamedia from 1998 to 2001 and L'Oréal Paris from 2001 to 2003 in various senior management positions. Mr. Tung has been a director of Weibo Corporation, a Chinese social network company listed on Nasdaq (stock symbol: WB) and the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (SEHK stock code: 9898) and a non-executive director of AGTech Holdings Limited, a company listed on GEM of the Hong Kong Stock Exchange (SEHK stock code: 8279), since January 2022 and May 2023, respectively. He received a bachelor of science in electrical engineering from the Taiwan University and a master of science in engineering from the University of Michigan, Ann Arbor, the United States in 1992 and 1995, respectively.

Independent Non-Executive Directors

Ms. SONG Lixin, aged 55 and appointed to the Board on December 22, 2014, is an independent non-executive Director and a member of each of the audit committee and the remuneration committee of the Company. She has been the chairperson of the board of directors of Yingcaiyuan Investment Management Co., Ltd.* (英才元投資管理有限公司) since December 2015. Ms. Song has more than 20 years of experience in the cultural and business sector. Ms. Song founded the China Annual Management Summit in 2001 which has continued to run for 21 consecutive years to date. Ms. Song has been an independent director of Bona Film Group Co., Limited (SZSE stock code: 001330) since May 2023. 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 49 and appointed to the Board on June 27, 2014, is an independent non-executive Director, the chairman of the remuneration committee and a member of each of the audit committee and the nomination committee of the Company. He is a co-founder and managing partner at Boyu Capital. Prior to founding Boyu Capital, Mr. Tong was a managing director at General Atlantic and Providence Equity Partners, where he headed both firms' Greater China practice and served as a director at a number of publicly-listed and privately-held companies. Mr. Tong graduated from Harvard University where he was a member of Phi Beta Kappa.

Mr. Tong is currently a non-executive director of WuXi AppTec Co., Ltd.* (Shanghai Stock Exchange ("SSE") stock code: 603259 and SEHK stock code: 2359).

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Johnny CHEN, aged 63 and appointed to the Board as independent non-executive Director on January 29, 2016, is the chairman of the audit committee and a member of the nomination committee of the Company. Mr. Chen joined the management of Zurich Insurance Group ("Zurich") in 2005. He worked in Zurich from March 2005 to February 2015 in multiple senior managerial roles in Asia-Pacific region. His last position in Zurich was the chairman of China. Prior to joining Zurich, Mr. Chen was an executive member of the Greater-China Management Board and the Operating Committee of PricewaterhouseCoopers ("PwC"), as well as a managing partner of PwC's Beijing office. Mr. Chen holds a Master of Science Degree in Accounting from the University of Rhode Island and a Bachelor Degree of Accounting from the Johnson & Wales University. He is a U.S. certified public accountant.

Mr. Chen is currently an independent non-executive director of each of Uni-President China Holdings Ltd. (SEHK stock code: 220) and China Travel International Investment Hong Kong Limited (SEHK stock code: 308). Mr. Chen was an independent non-executive director of Stella International Holdings Limited (SEHK stock code: 1836) from February 2009 to May 2023. He was an executive director (December 2017 – December 2020), non-executive director (January 2021 – March 2021) and the chairman (December 2017 – March 2021) of the board of directors of Convoy Global Holdings Limited (SEHK stock code: 1019).

Details of the Directors' interests in the shares ad underlying shares of the Company as at March 31, 2023 are set out on the section headed "DIRECTORS' REPORT - INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE" of this report.

Company Secretary

Ms. CHUN Ka Yan has been the company secretary of the Company since June 30, 2022. She has more than 10 years of working experience in the legal field and is currently a senior legal counsel in Alibaba Group. Prior to joining Alibaba Group, she was a partner in P. C. Woo & Co. from November 2019 to January 2022. She also worked at various local and international law firms from 2010 to 2019. Ms. Chun obtained a Bachelor of Business Administration degree from The Hong Kong University of Science and Technology and a Graduate Diploma in Law (Common Professional Examination). She was admitted as a solicitor of the High Court of Hong Kong in 2010 and is currently a member of the Law Society of Hong Kong.

Ms. LEW Aishan Nicole was the company secretary of the Company from October 23, 2020 to June 30, 2022. She joined Alibaba Group in August 2014 and is currently a legal director. She was previously the general counsel (March 2016 to August 2020) and company secretary (June 2016 to August 2020) of Alibaba Health Information Technology Limited (SEHK stock code: 241). Prior to joining Alibaba Group, she worked at Freshfields Bruckhaus Deringer from 2006 to 2014. Ms. Lew obtained a Bachelor of Laws honors degree from University College London and is qualified to practice law in England and Wales. She was admitted as a solicitor of the High Court of Hong Kong in 2008 and is a current member of the Law Society of Hong Kong.

Save as disclosed herein, none of the Directors or senior management has a relationship (including financial, business, family or other material relationship) with each other.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Changes in Directors and Senior Management

Pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), the changes in particulars of Directors and senior management during and after the Reporting Period are set out below:

Mr. Liu Zheng ceased to serve as a non-executive Director with effect from May 15, 2023.

Mr. Tung Pen Hung was appointed as a non-executive Director with effect from May 15, 2023.

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

Ms. Chun Ka Yan was appointed as the company secretary of the Company on June 30, 2022.

* *For identification purposes only*

DIRECTORS' REPORT

The Board presents their report and the audited consolidated financial statements of the Group for the Reporting Period.

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 Reporting Period are set out in the consolidated statement of profit or loss on page 125.

The directors of the Company (the "Director(s)") do not recommend the payment of a dividend for the financial year ended March 31, 2023 (2022: nil).

During the Reporting Period and up to the date of this annual report, there is no arrangement under which any Shareholder has waived or agreed to waive any dividend.

SHARE CAPITAL OF THE COMPANY

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

DISTRIBUTABLE RESERVES

As at March 31, 2023, the Company's distributable reserves calculated in accordance with the provisions of the Bermuda Companies Act was nil (March 31, 2022: RMB736 million).

BUSINESS REVIEW

The business review of the Group as at March 31, 2023 is set out under the section headed "Management Discussion and Analysis" of this report on pages 6 to 15.

PRINCIPAL RISKS AND UNCERTAINTIES

Principal risks and uncertainties the Group faces are set out under the sections headed "Corporate Governance Report – Accountability and Audit – Risk Management and Internal Control – Management and Disclosure of Material Risks" of this report on pages 102 to 105 and "Directors' Report – Contractual Arrangements – Risks associated with the Contractual Arrangements and the actions taken by the Group to mitigate the risks" of this report on pages 73 to 74.

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 226.

DIRECTORS' REPORT

DIRECTORS

The Directors during the Reporting Period and up to the publication date of this report were:

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

Non-Executive Directors
Mr. Tung Pen Hung *(Appointed on May 15, 2023)*
Mr. Liu Zheng *(Resigned on May 15, 2023)*

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

On May 15, 2023, Mr. Liu Zheng resigned as non-executive Director to focus on his other work commitments with Alibaba Group. Mr. Liu has also confirmed that he has no disagreement with the Board. On the same day, Mr. Tung Pen Hung was appointed as non-executive Director.

Except as disclosed above, no Director had resigned from the office or refused to stand for re-election to the office during the Reporting Period and up to the date of this report.

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

In accordance with bye-law 86(2) of the Bye-laws, Mr. Tung Pen Hung shall hold office only until the forthcoming AGM and, being eligible, offer himself for re-election.

The Directors' biographical details are set out on pages 16 to 19.

DIRECTORS' REPORT

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at March 31, 2023, 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 Hong Kong 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 Listing Rules were as follows:

Long position in the shares and underlying shares of the Company

Name of Director	Capacity	Number of Ordinary Shares held	Derivatives		Aggregate Interests	Approximate Percentage of Aggregate Interests to Total Issued Share Capital of the Company *(Note 1)*
			Share Options	Awarded Shares		
Fan Luyuan	Beneficial owner	665,882	11,175,000	9,480,000	21,320,882	0.08%
Li Jie	Beneficial owner	4,118,336	–	18,193,750	22,312,086	0.08%
Meng Jun	Beneficial owner	177,796	–	2,785,000	2,962,796	0.01%

Note:

1. Based on a total of 26,975,740,156 ordinary Shares in issue as at March 31, 2023.

DIRECTORS' REPORT

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE *(Continued)*

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

Name of Director	Capacity	Number of shares/underlying shares held		Approximate percentage of aggregate interests to total issued share capital of AGH
		(in the number of American Depositary Shares ("ADS(s)") of AGH) *(Note 1)*	*(in the number of ordinary shares of AGH)* *(Note 1)*	*(Note 2)*
Fan Luyuan	Note 3	506,553	4,052,424	0.02%
Li Jie	Note 4	81,347	650,776	0.00%
Meng Jun	Note 5	15,490	123,920	0.00%
Liu Zheng	Note 6	22,382	179,056	0.00%
Tong Xiaomeng	Note 7	117,647	941,176	0.00%
Johnny Chen	Note 8	100	800	0.00%

Notes:

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

2. Based on a total of 20,680,409,344 ordinary shares of AGH in issue as at March 31, 2023.

3. The interest comprised (i) 15,028 ADSs of AGH and 22,668 RSUs of AGH held by Mr. Fan Luyuan beneficially; and (ii) 468,857 ADSs of AGH held by a trust, of which Mr. Fan Luyuan is a founder.

4. The interest comprised 55,995 ADSs of AGH and 25,352 RSUs of AGH held by Mr. Li Jie beneficially.

5. The interest comprised (i) 7,917 ADSs of AGH and 5,450 RSUs of AGH held by Mr. Meng Jun beneficially; and (ii) 2,123 ADSs of AGH held by the spouse of Mr. Meng Jun.

6. The interest comprised 11,882 ADSs of AGH and 10,500 RSUs of AGH held by Mr. Liu Zheng beneficially. Mr. Liu resigned on May 15, 2023.

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

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

DIRECTORS' REPORT

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE *(Continued)*

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

Name of Director	Capacity	Number of relevant class of shares/ underlying shares of Cainiao held		Approximate percentage of aggregate interests to total issued share capital of Cainiao
		(class A ordinary shares)	*(class B ordinary shares)*	*(Note)*
Liu Zheng *(resigned on May 15, 2023)*	Beneficial Owner	5,460,000	6,200,000	0.07%

Note: As at March 31, 2023, the issued share capital of Cainiao was made up of 15,212,555,296 ordinary shares, 478,993,010 class A ordinary shares and 172,724,237 class B ordinary shares; Mr. Liu Zheng was interested in 5,460,000 class A ordinary shares and 6,200,000 class B ordinary shares, representing approximately 1.14% and 3.59% of the relevant class of shares in issue of Cainiao respectively, and was not interested in any ordinary share in issue of Cainiao.

Save as disclosed above, as at March 31, 2023, 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 Hong Kong Stock Exchange pursuant to the Model Code.

SHARE INCENTIVE SCHEMES

2021 Share Option Scheme

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

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

The 2012 Share Option Scheme and the 2021 Share Option Scheme were adopted before the effective date of the new Chapter 17 of the Listing Rules which became effective on January 1, 2023. The Company will comply with the new Chapter 17 in accordance with the transitional arrangements for the 2012 Share Option Scheme and the 2021 Share Option Scheme.

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

2021 Share Option Scheme *(Continued)*

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

Purpose

The purpose of the 2021 Share Option Scheme is to enable the Company to grant Share Options to selected Participants (as defined in the paragraph headed "Participants" below) as incentives and/or rewards for their contribution and support to the Group and any entity in which the Group holds any equity interest ("Invested Entity") and/or to recruit and retain high-calibre employees of the Company, any subsidiary of the Company or any Invested Entity ("Employee(s)") and attract human resources that are valuable to the Group and any Invested Entity. The basis of eligibility of any of the Participants for the grant of Share Options shall be determined by the Board from time to time on the basis of the Board's opinion as to his/her contribution or potential contribution to the development and growth of the Group.

Participants

The participants of the 2021 Share Option Scheme ("Participants") refers to any person belonging to any of the following classes of participants:

(i) any Employee;

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

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

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

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

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

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

who the Board considers, in its sole discretion, has contributed or will contribute to the Company, and for the purposes of the 2021 Share Option Scheme, the Share Options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of Participants.

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

2021 Share Option Scheme *(Continued)*

Duration and Administration

The 2021 Share Option Scheme shall be valid and effective for the period ("Scheme Period") commencing on the date on which the 2021 Share Option Scheme becomes unconditional (being September 6, 2021, the "Option Scheme Adoption Date") and expiring on the earlier of:

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

– the date on which the 2021 Share Option Scheme is terminated pursuant to the rules of the 2021 Share Option Scheme.

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

The 2021 Share Option Scheme shall be subject to the administration of the Board (including the independent non-executive Directors) whose decision as to all matters relating to the 2021 Share Option Scheme or its interpretations or effect (save as otherwise provided therein) shall be final and binding on all parties.

As at March 31, 2023, the remaining life of the 2021 Share Option Scheme is approximately 8.5 years.

Grant of Share Options

On and subject to the terms of the 2021 Share Option Scheme, the Board shall be entitled at any time and from time to time during the Scheme Period to offer to grant to any Participant as the Board may in its absolute discretion select, and subject to such conditions (including but not limited to imposing vesting period(s) for the Share Options) (which shall not be inconsistent with the terms of the 2021 Share Option Scheme) as the Board may think fit, a Share Option to subscribe for such number of Shares (as may be permitted under the terms of the 2021 Share Option Scheme) as the Board may determine at the Subscription Price (as defined in the paragraph headed "Subscription Price" below).

There is no specific requirement on the length of the vesting period of a Share Option but the Board is empowered to impose at its discretion any such period at the time of an offer of the grant of a Share Option.

An offer of the grant of a Share Option shall be made to a Participant by letter in such form or means (including in hard copy or electronic format) as the Board may from time to time determine requiring such Participant to whom any offer of the grant of a Share Option is made ("Offeree") to undertake to hold the Share Option on the terms on which it is to be granted and to be bound by the provisions of the 2021 Share Option Scheme (the "Offer Letter"). Such offer shall be personal to the Offeree and shall not be transferable, and shall remain open for acceptance by the Offeree for a period ("Acceptance Period") of 21 days from the date of grant provided that no such offer shall be open for acceptance after the expiry of the Scheme Period.

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

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

2021 Share Option Scheme *(Continued)*

Grant of Share Options *(Continued)*

The grant of Share Options to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) under the 2021 Share Option Scheme shall be approved by all independent non-executive Directors (excluding any independent non-executive Director who is a grantee (namely, any Participant who accepts the offer of the grant of any Share Option or a person entitled to any such Share Option in accordance with the terms of the 2021 Share Option Scheme in consequence of the death of the original grantee) of the Share Option(s) in question).

Where the grant of Share Options to a substantial shareholder (as defined in the Listing Rules) of the Company or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of the Share Options already granted and to be granted (including all the exercised, cancelled and outstanding Share Options) to such connected person (as defined in the Listing Rules) in any 12-month period up to and including the date of grant, representing in aggregate more than 0.1% of the Shares in issue for the time being and having the aggregate value (based on the closing price of the Shares) of which is in excess of HK$5,000,000, such further grant of Share Options must be approved by the Shareholders in general meeting.

Subscription Price

The price per Share at which a grantee may subscribe for Shares on the exercise of a Share Option ("Subscription Price") shall be a price notified by the Board to the Offeree (subject to any adjustments) and shall be at least the highest of:

(a) the closing price of the Shares as stated in the Hong Kong 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 as stated in the Hong Kong 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.

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

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

2021 Share Option Scheme *(Continued)*

Exercise of Share Options

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

Subject to other provisions in the 2021 Share Option Scheme, the Offer Letter and any restrictions which may be imposed by the Board or applicable under the Listing Rules and notwithstanding the terms of grant thereof, the Share Option, to the extent it is vested and has not expired, may be exercised by the grantee at any time during the Option Period, provided that, among others, at the time of exercise of the Share Option, the grantee (as an Employee) shall have already been and remains as an Employee for a period of 12 months or more.

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

Maximum Limit

The maximum number of Shares which may be issued upon exercise of all outstanding Share Options granted and yet to be exercised under the 2021 Share Option Scheme and any other schemes of the Company shall not exceed 30% of the Shares in issue from time to time. No Share Option may be granted under the 2021 Share Option Scheme and any other schemes of the Company if this will result in the maximum number of the Shares referred to in this paragraph being exceeded.

Share Options lapsed or cancelled in accordance with the terms of the 2021 Share Option Scheme or any other schemes shall not be counted for the purposes of calculating the said 30% limit.

Subject to any other relevant provisions in the 2021 Share Option Scheme, the total number of Shares available for issue upon exercise of all Share Options which have been or may be granted under the 2021 Share Option Scheme and any other schemes of the Company must not, in aggregate, exceed 2,683,678,641 Shares, representing 10% of the Shares in issue as at the Option Scheme Adoption Date (the "Scheme Mandate Limit"). Share Options lapsed in accordance with the terms of the 2021 Share Option Scheme will not be counted for the purpose of calculating the 10% limit.

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

The Company may seek separate approval of the Shareholders in general meeting to grant Share Options beyond the Scheme Mandate Limit, provided that the Share Options in excess of the Scheme Mandate Limit are granted only to Participants specifically identified by the Company before such approval is sought.

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

2021 Share Option Scheme *(Continued)*

Individual Limit

The total number of Shares issued and to be issued upon exercise of the Share Options granted to each grantee (including both exercised and outstanding Share Options) in any 12-month period must not exceed 1% of the aggregate number of Shares 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 for the time being in issue, such further grant must be separately approved by the Shareholders in general meeting with such grantee and his close associates (as defined in the Listing Rules) (or his associates if he is a connected person (as defined in the Listing Rules)) abstaining from voting.

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

Movements of Share Options

As of March 31, 2023, no Share Option was granted under the 2021 Share Option Scheme.

As at March 31, 2023, a total of 13,475,000 Share Options had been granted and remained outstanding under the 2012 Share Option Scheme, representing approximately 0.05% of the Shares in issue as at the date of this report. No participant was granted with Share Options in excess of the individual limit as set out in the 2012 Share Option Scheme. Further details of the 2012 Share Option Scheme are set out in Note 25 to the consolidated financial statements.

The total numbers of options available for grant under the 2021 Share Option Scheme as at April 1, 2022 and March 31, 2023 were 2,683,678,641 and 2,683,678,641, respectively, representing approximately 9.95% and 9.95% of the Company's issued share capital as at the respective dates.

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

2021 Share Option Scheme *(Continued)*

Movements of Share Options *(Continued)*

Movements of the Share Options granted by the Company pursuant to the 2012 Share Option Scheme during the Reporting Period were as follows:

Category	Date of grant	Exercise price per share *(HK$)*	Closing price of Shares immediately before the date on which the Share Options were granted *(HK$)*	Weighted average closing price of Shares immediately before the date on which the Share Options were exercised *(HK$)*	Outstanding as at April 1, 2022	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Outstanding as at March 31, 2023	Vesting period *(Notes)*
Directors											
Fan Luyuan	05/06/2020	1.070	1.050	–	3,675,000	–	–	–	–	3,675,000	1(iv)
	16/06/2021	1.066	1.060	–	7,500,000	–	–	–	–	7,500,000	1(iv)
Li Jie	21/05/2018	0.912	0.910	–	5,000,000	–	–	–	5,000,000	–	1(ii)
	31/05/2019	1.630	1.600	–	6,000,000	–	–	–	6,000,000	–	1(ii)
	05/06/2020	1.070	1.050	–	14,000,000	–	–	–	14,000,000	–	1(ii)
	16/06/2021	1.066	1.060	–	5,625,000	–	–	–	5,625,000	–	1(ii)
Meng Jun	05/06/2020	1.070	1.050	–	780,000	–	–	–	780,000	–	1(ii)
	16/06/2021	1.066	1.060	–	1,500,000	–	–	–	1,500,000	–	1(ii)
Employees	28/01/2015	1.670	1.650	–	600,000	–	–	–	600,000	–	1(i)
	13/04/2016	1.880	1.890	–	5,200,000	–	–	5,000,000	200,000	–	1(ii)
	03/06/2016	1.860	1.860	–	450,000	–	–	–	450,000	–	1(ii)
	24/10/2017	1.276	1.270	–	6,200,000	–	–	5,000,000	1,200,000	–	1(ii)
	18/01/2018	1.060	1.070	–	1,200,000	–	–	–	–	1,200,000	1(i)
	21/05/2018	0.912	0.910	–	7,700,000	–	–	–	7,700,000	–	1(i)
	21/05/2018	0.912	0.910	–	30,000,000	–	–	12,600,000	17,400,000	–	1(ii)
	26/09/2018	1.020	1.010	–	9,549,000	–	–	–	9,549,000	–	1(i)
	26/09/2018	1.020	1.010	–	11,250,000	–	–	5,000,000	6,250,000	–	1(ii)
	31/05/2019	1.630	1.600	–	7,800,000	–	–	1,400,000	6,400,000	–	1(i)
	31/05/2019	1.630	1.600	–	33,601,000	–	–	12,260,000	20,541,000	800,000	1(ii)
	31/05/2019	1.630	1.600	–	3,600,000	–	–	1,200,000	2,400,000	–	1(iii)
	23/09/2019	1.340	1.320	–	700,000	–	–	–	700,000	–	1(i)
	23/09/2019	1.340	1.320	–	13,650,000	–	–	–	13,650,000	–	1(ii)
	15/01/2020	1.460	1.470	–	10,000,000	–	–	–	10,000,000	–	1(i)
	05/06/2020	1.070	1.050	–	35,905,600	–	–	9,688,000	25,917,600	300,000	1(ii)
	05/06/2020	1.070	1.050	–	1,500,000	–	–	1,500,000	–	–	1(i)
	11/09/2020	1.144	1.100	–	16,800,000	–	–	1,200,000	15,600,000	–	1(ii)
Total:					**239,785,600**	**–**	**–**	**54,848,000**	**171,462,600**	**13,475,000**	

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

2021 Share Option Scheme *(Continued)*

Movements of Share Options *(Continued)*

Notes:

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

(i) Category A

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

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

(ii) Category B

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

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

(iii) Category C

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

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

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

2021 Share Option Scheme *(Continued)*

Notes: *(Continued)*

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

   (iv) Category D

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

   The vesting period of the Share Options under Category D commences on performance incentive date of the relevant grantee, and the first vesting date falls on the first anniversary of the date of commencement of the vesting period.

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

3. Given that as disclosed above, no Share Option has been granted during the Reporting Period, it is not applicable for the Company to set out the number of Shares that may be issued in respect of the Share Options granted under the 2021 Share Option Scheme during the Reporting Period divided by the weighted average number of Shares of the relevant class in issue for the Reporting Period.

Share Award Scheme

The share award scheme of the Company ("Share Award Scheme") was adopted by the Board on December 30, 2016 ("Adoption Date") and amended on March 29, 2019 and January 17, 2020, respectively. The Share Award Scheme was adopted before the effective date of the new Chapter 17 of the Listing Rules which became effective on January 1, 2023. The Company will comply with the new Chapter 17 in accordance with the transitional arrangements for the Share Award Scheme. Summary of principal terms of the Share Award Scheme are set forth below:

Purposes and Objectives

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

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

Share Award Scheme *(Continued)*

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, 2023, the remaining life of the Share Award Scheme is approximately 8.5 years.

Maximum Limit

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

Restrictions

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

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

Share Award Scheme *(Continued)*

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

Vesting and Lapse

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

There is no specific requirement on the length of the vesting period of an Awarded Share but the Board is empowered to impose at its discretion any such period at the time of an offer of the grant of an Awarded Share.

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

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

Share Award Scheme *(Continued)*

Vesting and Lapse *(Continued)*

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

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

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

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

Voting Rights

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

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

Termination

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

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

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

Share Award Scheme *(Continued)*

Movements of Awarded Shares

During the Reporting Period, the movements of Awarded Shares granted under the Share Award Scheme were as follows:

Grantee name/ categories	Date of grant during the Reporting Period	Vesting date/period	Market price of award Shares at date of grant based on closing price of Shares as at date of grant *(HK$)*	Purchase price of the Awarded Shares *(HK$)*	Closing price of Shares immediately before the date of grant *(HK$)*	Closing price of Shares immediately before the vesting date *(HK$)*	Weighted average closing price of the Shares immediately before the date on which the Awarded Shares were vested *(HK$)*	Number of Unvested Awarded Shares at April 1, 2022 (excluding those vested on April 1, 2022)	Number of Awarded Shares granted during the Reporting Period *(Note3)*	Number of Awarded Shares vested during the Reporting Period	Number of Awarded Shares lapsed during the Reporting Period	Number of Awarded Shares cancelled during the Reporting Period	Number of Unvested Awarded Shares at March 31, 2023
Directors of the Company:													
Mr. Fan Luyuan	05/06/2020	01/04/2021 – 01/04/2026	1.070	–	1.050	0.650	0.650	1,225,000	–	245,000	–	–	980,000
	16/06/2021	01/04/2022 – 01/04/2027	1.060	–	1.060	0.650	0.650	3,000,000	–	500,000	–	–	2,500,000
	17/06/2022	01/04/2023 – 01/04/2028	0.730	–	0.740	–	–	–	6,000,000	–	–	–	6,000,000
Mr. Meng Jun	05/06/2020	01/04/2021 – 01/04/2024	1.070	–	1.050	0.650	0.650	247,500	–	82,500	–	–	165,000
	16/06/2021	01/04/2022 – 01/04/2025	1.060	–	1.060	0.650	0.650	600,000	–	150,000	–	–	450,000
	17/06/2022	01/04/2023 – 01/04/2026	0.730	–	0.740	–	–	–	1,600,000	–	–	–	1,600,000
	31/03/2023	01/04/2023 – 01/04/2025	0.510	–	0.500	–	–	–	570,000	–	–	–	570,000
Mr. Li Jie	21/05/2018	01/04/2019 – 01/04/2022	0.910	–	0.910	0.650	0.650	300,000	–	300,000	–	–	–
	31/05/2019	01/04/2020 – 01/04/2023	1.630	–	1.600	0.650	0.650	1,200,000	–	600,000	–	–	600,000
	05/06/2020	01/04/2021 – 01/04/2024	1.070	–	1.050	0.650	0.650	5,250,000	–	1,750,000	–	–	3,500,000
	16/06/2021	01/04/2022 – 01/04/2025	1.060	–	1.060	0.650	0.650	2,250,000	–	562,500	–	–	1,687,500
	17/06/2022	01/04/2023 – 01/04/2026	0.730	–	0.740	–	–	–	4,750,000	–	–	–	4,750,000
	31/03/2023	01/04/2023 – 01/04/2025	0.51	–	0.500	–	–	–	7,656,250	–	–	–	7,656,250
Directors of subsidiaries of the Company:													
A director of subsidiaries of the Company	16/06/2021	01/04/2022 - 01/04/2025	1.060	–	1.060	0.650	0.650	1,605,882	–	401,470	–	–	1,204,412
	17/06/2022	01/04/2023 - 01/04/2026	0.730	–	0.740	–	–	–	1,964,286	–	–	–	1,964,286
Ex-directors:													
An ex-director	21/05/2018	01/04/2019 – 01/04/2022	0.910	–	0.910	0.650	0.650	625,000	–	625,000	–	–	–
	31/05/2019	01/04/2020 – 01/04/2023	1.630	–	1.600	0.650	0.650	1,500,000	–	750,000	750,000	–	–
	05/06/2020	01/04/2021 – 01/04/2024	1.070	–	1.050	0.650	0.650	1,440,000	–	480,000	960,000	–	–

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

Share Award Scheme *(Continued)*

Movements of Awarded Shares *(Continued)*

Grantee name/ categories	Date of grant during the Reporting Period	Vesting date/period	Market price of award Shares at date of grant based on closing price of Shares as at date of grant *(HK$)*	Purchase price of the Awarded Shares *(HK$)*	Closing price of Shares immediately before the date of grant *(HK$)*	Closing price of Shares immediately before the vesting date *(HK$)*	Weighted average closing price of the Shares immediately before the date on which the Awarded Shares were vested *(HK$)*	Number of Unvested Awarded Shares at April 1, 2022 (excluding those vested on April 1, 2022)	Number of Awarded Shares granted during the Reporting Period *(Note3)*	Number of Awarded Shares vested during the Reporting Period	Number of Awarded Shares lapsed during the Reporting Period	Number of Awarded Shares cancelled during the Reporting Period	Number of Unvested Awarded Shares at March 31, 2023
Eligible employees – (Non-connected employees):													
	21/05/2018	01/04/2019 – 24/04/2022	0.910	–	0.910	0.650-0.680	0.651	5,972,080	–	5,672,080	300,000	–	–
	26/09/2018	01/10/2019 – 01/10/2022	1.020	–	1.010	0.405-0.790	0.511	5,450,000	–	4,880,000	570,000	–	–
	31/05/2019	01/04/2020 – 19/03/2025	1.630	–	1.600	0.340-0.690	0.629	33,455,601	–	17,571,133	2,973,109	–	12,911,359
	23/09/2019	01/10/2020 – 01/10/2023	1.340	–	1.320	0.405-0.770	0.441	9,210,000	–	4,425,000	775,000	–	4,010,000
	15/01/2020	19/09/2021 – 31/12/2023	1.460	–	1.470	0.300-0.600	0.500	1,975,000	–	987,500			987,500
	05/06/2020	01/04/2021 – 16/04/2024	1.070	–	1.050	0.520-0.680	0.649	52,067,700	–	17,655,900	5,911,950	–	28,499,850
	11/09/2020	26/05/2021 – 01/10/2024	1.120	–	1.100	0.405-0.770	0.453	15,390,000	–	5,135,000	1,395,000	–	8,860,000
	16/06/2021	01/04/2022 – 22/04/2025	1.060	–	1.060	0.295-0.670	0.642	105,623,988	–	26,718,494	12,538,187	–	66,367,307
	09/09/2021	01/10/2022 – 01/10/2025	0.840	–	0.850	0.405	0.405	27,460,000	–	5,520,000	2,880,000	–	19,060,000
	17/06/2022	01/04/2023 – 01/04/2026	0.730	–	0.740	–	–	–	117,055,868	–	9,712,000	–	107,343,868
	09/09/2022	01/08/2023 – 01/10/2026	0.600	–	0.570	–	–	–	17,620,000	–	–	–	17,620,000
	31/03/2023	01/04/2023 – 01/04/2025	0.510	–	0.500	–	–	–	13,887,525	–	–	–	13,887,525
Five highest paid employees in aggregate (excluding the Directors as disclosed above):													
	21/05/2018	01/04/2019 – 1/04/2022	0.910	–	0.910	0.650-0.680	0.667	525,000	–	525,000	–	–	–
	26/09/2018	01/10/2019 – 01/10/2022	1.020	–	1.010	0.670	0.670	300,000	–	300,000	–	–	–
	31/05/2019	01/04/2020 – 01/04/2023	1.630	–	1.600	0.650	0.650	1,860,000	–	930,000	–	–	930,000
	15/01/2020	28/11/2021 – 28/11/2023	1.460	–	1.470	0.405	0.405	2,000,000	–	1,000,000	–	–	1,000,000
	05/06/2020	01/04/2021 – 01/04/2024	1.070	–	1.050	0.650	0.650	2,370,000	–	790,000	–	–	1,580,000
	16/06/2021	01/04/2022 – 22/04/2025	1.060	–	1.060	0.650	0.650	5,595,500	–	1,398,875	–	–	4,196,625
	17/06/2022	01/04/2023 – 01/04/2026	0.730	–	0.740	–	–	–	5,678,000	–	–	–	5,678,000
	31/03/2023	01/04/2023 – 01/04/2025	0.510	–	0.500	–	–	–	11,600,000	–	–	–	11,600,000

DIRECTORS' REPORT

SHARE INCENTIVE SCHEMES *(Continued)*

Share Award Scheme *(Continued)*

Movements of Awarded Shares *(Continued)*

Grantee name/ categories	Date of grant during the Reporting Period	Vesting date/period	Market price of award Shares at date of grant based on closing price of Shares as at date of grant *(HK$)*	Purchase price of the Awarded Shares *(HK$)*	Closing price of Shares immediately before the date of grant *(HK$)*	Closing price of Shares immediately before the vesting date *(HK$)*	Weighted average closing price of the Shares immediately before the date on which the Awarded Shares were vested *(HK$)*	Number of Unvested Awarded Shares at April 1, 2022 (excluding those vested on April 1, 2022)	Number of Awarded Shares granted during the Reporting Period *(Note3)*	Number of Awarded Shares vested during the Reporting Period	Number of Awarded Shares lapsed during the Reporting Period	Number of Awarded Shares cancelled during the Reporting Period	Number of Unvested Awarded Shares at March 31, 2023
Related entities participants:													
	21/05/2018	01/04/2019 – 1/04/2022	0.910	-	0.910	0.650	0.650	880,000	-	880,000	-	-	-
	26/09/2018	01/10/2019 – 01/10/2022	1.020	-	1.010	0.405	0.405	360,000	-	360,000	-	-	-
	31/05/2019	01/04/2020 – 01/04/2023	1.630	-	1.600	0.340-0.650	0.606	3,970,000	-	2,135,000	-	-	1,835,000
	23/09/2019	01/10/2020 – 01/10/2023	1.340	-	1.320	0.405	0.405	1,480,000	-	740,000	-	-	740,000
	05/06/2020	01/04/2021 – 01/04/2024	1.070	-	1.050	0.650	0.650	5,640,000	-	1,880,000	-	-	3,760,000
	11/09/2020	01/10/2021 – 01/10/2024	1.120	-	1.100	0.405	0.405	735,000	-	245,000	-	-	490,000
	16/06/2021	01/04/2022 – 22/04/2025	1.060	-	1.060	0.650	0.650	3,512,000	-	478,000	-	-	3,034,000
	17/06/2022	01/04/2023 – 01/04/2026	0.730	-	0.740	-	-	-	1,474,800	-	-	-	1,474,800
	31/03/2023	01/04/2023 – 01/04/2025	0.510	-	0.500	-	-	-	9,151,875	-	-	-	9,151,875
Service providers:	-	-	-	-	-	-	-	-	-	-	-	-	-
Total								305,075,251	199,008,604	106,673,452	38,765,246	-	358,645,157

Notes:

1. Save as disclosed in the table above, no Awarded Shares have been granted to any chief executive or substantial shareholder of the Company, or any of their respective associates (as defined in the Listing Rules).

2. Save as disclosed in the table above, no Awarded Shares have been granted to any employees of the Company in excess of the 1% individual limit.

3. The fair value of the Awarded Shares at the date of grant on June 17, 2022, September 9, 2022 and March 31, 2023 during the Reporting Period was HK$0.73 per Share, HK$0.60 per Share and HK$0.51 per Share, respectively, and was determined based on the published closing price of the Shares at the respective dates of grant. The Group has adopted the accounting standard in accordance with HKFRS 2 – Share-based Payment and for the details of accounting policy applied, please refer to Note 25 to the consolidated financial statements contained in this annual report.

4. The total numbers of Awarded Shares available for grant under the Share Award Scheme as at April 1, 2022 and March 31, 2023 were 285,352,677 and 241,098,125, respectively, representing approximately 1.06% and 0.89% of the Company's issued share capital as at the respective dates.

5. The number of Shares that may be issued in respect of the Awarded Shares granted under the Share Award Scheme during the Reporting Period divided by the weighted average number of Shares of the relevant class in issue for the Reporting Period was 0.98%.

6. As at the date of this annual report, the total number of Shares available for issue under the Share Award Scheme was 342,132,720 Shares, representing approximately 1.27% of the total number of Shares in issue.

DIRECTORS' REPORT

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Incentive Schemes" above, neither at the end of the Reporting Period nor at any time during the Reporting Period 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, (i) 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; (ii) 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 Reporting Period or at any time during the Reporting Period; and (iii) no contract of significance for the provision of services to the Group by a controlling shareholder of the Company or any of its subsidiaries were made during the Reporting Period.

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 at any time during the Reporting Period.

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

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

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

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

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

DIRECTORS' REPORT

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Reporting Period. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against the directors and officers of the Company and its subsidiaries.

COMPLIANCE WITH LAWS AND REGULATIONS

For the Reporting Period and up to the date of this report, to the best knowledge of the Directors, the Group had complied with applicable laws, rules and regulations in respect of the Group's business operations, including but not limited to those relating to value-added telecommunications services, information security and privacy protection, film distribution, radio and television programs and Internet advertisement in the People's Republic of China (the "PRC"), and other laws, rules and regulations that are applicable to the Group in all material respects. Discussion on the compliance with the relevant laws and regulations which have significant impact on the Group is set out in the Environmental, Social and Governance Report of the Company (the "ESG Report").

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

The ESG Report will be published at the same time of the publication of this annual report on the website of each of the Company (www.alibabapictures.com) and the Hong Kong Stock Exchange (www.hkexnews.hk).

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the percentage of the Group's purchases attributable to the Group's five largest suppliers combined was less than 30%.

Information on the Group's major customers during the Reporting Period:

Percentage of the Group's revenue attributable to the Group's largest customer	Approximately 18.43%
Percentage of the Group's revenue attributable to the Group's five largest customers combined	Approximately 34.24%

Apart from the connected transactions with AGH Group (other than the Group) and the Ant Group as disclosed in the paragraph headed "CONNECTED TRANSACTIONS" below, none of the Directors, their close associates, or any Shareholder (which to the knowledge of the Directors owns more than 5% of the number of issued Shares) had any interest in the five largest customers.

CONNECTED TRANSACTIONS

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

(1) AGH, which indirectly wholly owns Ali CV Investment Holding Limited ("Ali CV"), a controlling shareholder of the Company holding approximately 50.0007% of the issued share capital of the Company, and is hence a connected person of the Company;

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

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

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

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

(6) 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;

(7) 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;

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

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

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

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

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

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

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

(14) 杭州螞蟻酷愛科技有限公司 (Hangzhou Ant Kuai Technology Co., Ltd.*) ("Hangzhou Ant"), which is an indirect wholly-owned subsidiary of Ant Group. Accordingly, Hangzhou Ant is an associate of Ali CV and a connected person of the Company; and

(15) 螞蟻區塊鏈科技(上海)有限公司 (Ant Blockchain Technology (Shanghai) Co., Ltd.*) ("Ant Blockchain"), which is an indirect wholly-owned subsidiary of Ant Group. Accordingly, Hangzhou Ant is an associate of Ali CV and a connected person of the Company.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions

The Group's connected transactions and continuing connected transactions conducted during the Reporting Period and subsequent to the Reporting Period under review, and disclosed in accordance with Chapter 14A of the Listing Rules are as follows:

(1) Renewed Shared Services Agreement and Second Renewal of the Shared Services Agreement

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

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

On December 31, 2018, the Company entered into a renewed shared services agreement (the "Renewed Shared Services Agreement") with AGH, pursuant to which AGH agreed to procure the service providers (being AGH and its affiliates as set out under the Original Shared Services Agreement or otherwise designated by AGH) to provide certain Original Shared Services, cloud services, software development and technological services, as well as Staff Support Services under the Transitional Arrangement Agreement to the Company and its affiliates. The Renewed Shared Services Agreement had a term commenced from December 31, 2018 and ended on March 31, 2021. On March 30, 2020, the Company and AGH entered into a supplemental agreement to the Renewed Shared Services Agreement, pursuant to which, the scope of the software development and technological services under the Renewed Shared Services Agreement was expanded to cover the technological services contemplated under the Renewed Technology Services Agreement dated July 16, 2018 entered into between the Company and AGH, which had expired on March 31, 2020.

On March 29, 2021, the Company and AGH entered into the second renewal of the shared services agreement (the "Second Renewal of the Shared Services Agreement") to renew the Renewed Shared Services Agreement for a term of three years commenced from April 1, 2021 and ending on March 31, 2024. The annual caps for the service fees payable by the Group to AGH and its affiliates under the Second Renewal of the Shared Services Agreement for the financial years ended/ending March 31, 2022, March 31, 2023 and March 31, 2024 are RMB105,000,000, RMB110,000,000 and RMB115,000,000, respectively. The actual service fees paid/payable by the Group to AGH and its affiliates for the services under the Second Renewal of the Shared Services Agreement for the financial years ended March 31, 2022 and March 31, 2023 amounted to approximately RMB80,284,000 and RMB99,667,000, respectively.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(2) Renewed Operating Service Agreement

On April 1, 2021, 中聯盛世文化(北京)有限公司 (Zhonglian Shengshi Culture (Beijing) Co., Ltd.*) ("Zhonglian Shengshi"), an indirect wholly-owned subsidiary of the Company, entered into a renewed operating service agreement (the "Renewed Operating Service Agreement") with Tmall Network, a consolidated entity of AGH, and Tmall Technology, an indirect wholly-owned subsidiary of AGH (together, the "Tmall Entities"), for a term commenced from April 1, 2021 and ending on March 31, 2024. Pursuant to the Renewed Operating Service Agreement, Zhonglian Shengshi will provide such services which are necessary to operate Tmall on behalf of the Tmall Entities in relation to relevant categories (such as action figures, film & TV & entertainment merchandise, board & card games, cosplay, etc.), including exercising rights and discharging obligations under the relevant contracts between merchants and the Tmall Entities and their affiliates on behalf of the Tmall Entities, providing customer services and marketing services, conducting evaluation on merchants and quality control checks on merchandise, and taking action for any breach of contract by any merchant (the "Operating Services"). The annual caps for the transactions contemplated under the Renewed Operating Service Agreement for the three financial years ended/ending March 31, 2022, March 31, 2023 and March 31, 2024 are RMB100,000,000, RMB120,000,000 and RMB140,000,000, respectively. The actual service fees paid/payable by Tmall Entities to Zhonglian Shengshi under the Renewed Operating Service Agreement for the financial years ended March 31, 2022 and March 31, 2023 amounted to approximately RMB96,583,000 and RMB108,410,000, respectively.

(3) Third Renewed Payment Services Framework Agreement

On March 26, 2020, the Company (for itself and on behalf of its subsidiaries) entered into a third renewed payment services framework agreement (the "Third Renewed Payment Services Framework Agreement") with Alipay, a wholly-owned subsidiary of Ant Group, which in turn is a 30%-controlled company of AGH, for a term commenced from April 1, 2020 and ended on March 31, 2023. Pursuant to the Third Renewed Payment Services Framework Agreement, any member of the Group may request payment services from Alipay from time to time and in its absolute discretion according to its business needs. The annual caps of all payment services under the Third Renewed Payment Services Framework Agreement for the financial years ended March 31, 2021, March 31, 2022 and March 31, 2023 are RMB80,000,000, RMB85,000,000 and RMB90,000,000, respectively. The actual transaction amount of all payment services under the Third Renewed Payment Services Framework Agreement for the financial years ended March 31, 2021, March 31, 2022 and March 31, 2023 amounted to approximately RMB36,165,000, RMB39,464,000 and RMB28,419,000, respectively.

On March 28, 2023, the Company entered into a renewed payment services framework agreement (the "2023 Payment Services Framework Agreement") with Alipay, for a term commenced from April 1, 2023 and ending on March 31, 2026, to renew the Third Renewed Payment Services Framework Agreement. For the three financial years ending March 31, 2024, March 31, 2025 and March 31, 2026, the annual caps of the total fees payable by the Group to Alipay under the 2023 Payment Services Framework Agreement are RMB45,000,000, RMB50,000,000 and RMB55,000,000, respectively.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(4) Second Renewed Marketing Cooperation Framework Agreement

On March 27, 2020, 北京中聯華盟文化傳媒投資有限公司 (Beijing Asian Union Culture Media Investment Co., Ltd.*) (now known as 北京阿里巴巴影業文化有限公司 (Beijing Alibaba Pictures Culture Co., Ltd.*), "Beijing Alibaba Pictures"), a consolidated subsidiary of the Company, entered into the second renewed marketing cooperation framework agreement (the "Second Renewed Marketing Cooperation Framework Agreement") with Alimama and Youku Tudou, both subsidiaries of AGH, for a term commenced from April 1, 2020 and ended on March 31, 2023. Pursuant to the Second Renewed Marketing Cooperation Framework Agreement, Beijing Alibaba Pictures (for itself and as agent for and on behalf of its clients) may enter into specific marketing agreements with Alimama or Youku Tudou to procure online and offline advertising and relevant services from Alimama and/or Youku Tudou at agreed discount rates. The annual caps of all advertising and relevant services under the Second Renewed Marketing Cooperation Framework Agreement for the financial years ended March 31, 2021, March 31, 2022 and March 31, 2023 are RMB15,000,000, RMB20,000,000 and RMB25,000,000, respectively. The actual transaction amount of all advertising and relevant services under the Second Renewed Marketing Cooperation Framework Agreement for the financial years ended March 31, 2021, March 31, 2022 and March 31, 2023 amounted to approximately RMB4,003,000 and RMB2,338,000 and RMB2,002,000, respectively.

(5) 2020 Entertainment Works Cooperation Framework Agreement and 2023 Entertainment Works Cooperation Framework Agreement

On March 31, 2020, 阿里巴巴授權寶(天津)文化傳播有限公司 (Alibaba Shouquanbao (Tianjin) Culture Communication Co., Ltd.*) ("Shouquanbao"), a consolidated subsidiary of the Company, entered into a new entertainment works cooperation framework agreement (the "2020 Entertainment Works Cooperation Framework Agreement") with AGH. The cooperation term of the 2020 Entertainment Works Cooperation Framework Agreement commenced from April 1, 2020 and ended on March 31, 2023. Pursuant to the 2020 Entertainment Works Cooperation Framework Agreement, Shouquanbao or any of its affiliates and AGH or any of its affiliates may enter into specific agreements with respect to the grant or transfer of the rights, design or marketing, IP-derivatives commissioned production, IP-derivatives procurement and consignment, embedded advertising and agency services, project outsourcing services, ticketing services, investment cooperation, operation consignment services, technical and other related services for the entertainment works. For the three financial years ended March 31, 2021, March 31, 2022 and March 31, 2023, (i) the annual caps of the total fees payable by Shouquanbao and/or its affiliates to AGH and its affiliates with respect to the transactions contemplated under the 2020 Entertainment Works Cooperation Framework Agreement are RMB45,000,000, RMB55,000,000 and RMB65,000,000, respectively; and (ii) the annual caps of the total fees payable by AGH and its affiliates to Shouquanbao and/or its affiliates with respect to the transactions contemplated under the 2020 Entertainment Works Cooperation Framework Agreement are RMB34,000,000, RMB45,000,000 and RMB90,000,000 (as revised on March 28, 2023), respectively.

For the financial years ended March 31, 2021, March 31, 2022 and March 31, 2023, (i) the actual total fees paid/payable by Shouquanbao and/or its affiliates to AGH and its affiliates with respect to the transactions under the 2020 Entertainment Works Cooperation Framework Agreement amounted to approximately RMB15,096,000 and RMB6,853,000 and RMB26,265,000, respectively; and (ii) the actual total fees paid/payable by AGH and its affiliates to Shouquanbao and/or its affiliates with respect to the transactions under the 2020 Entertainment Works Cooperation Framework Agreement amounted to approximately RMB9,217,000, RMB7,102,000 and RMB88,284,000, respectively.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(5) 2020 Entertainment Works Cooperation Framework Agreement and 2023 Entertainment Works Cooperation Framework Agreement *(Continued)*

On March 28, 2023, Shouquanbao and Youku Technology, an indirect wholly-owned subsidiary of AGH, entered into a renewed entertainment works cooperation framework agreement ("2023 Entertainment Works Cooperation Framework Agreement"), for a term commenced from April 1, 2023 and ending on March 31, 2026, to renew the 2020 Entertainment Works Cooperation Framework Agreement. For the three financial years ending March 31, 2024, March 31, 2025 and March 31, 2026, (i) the annual caps of the total fees payable by Shouquanbao and/or its affiliates to Youku Technology and/or its affiliates with respect to the transactions contemplated under the 2023 Entertainment Works Cooperation Framework Agreement are RMB45,000,000, RMB49,000,000 and RMB53,000,000, respectively; and (ii) the annual caps of the total fees payable by Youku Technology and/or its affiliates to Shouquanbao and/or its affiliates with respect to the transactions contemplated under the 2023 Entertainment Works Cooperation Framework Agreement are RMB90,000,000, RMB100,000,000 and RMB110,000,000, respectively.

(6) Talent Agency Cooperation Framework Agreement and Renewed Talent Agency Cooperation Framework Agreement

On April 11, 2019, Cool Young, a consolidated subsidiary of the Company, entered into a talent agency cooperation framework agreement (the "Talent Agency Cooperation Framework Agreement") with AGH in relation to talent agency cooperation, for a term commenced from April 1, 2019 and ended on March 31, 2022. Pursuant to the Talent Agency Cooperation Framework Agreement, Cool Young and AGH or any of its affiliates will enter into specific agreements with respect to the cooperation whereby (i) AGH or any of its affiliates directly engages Cool Young's artist(s) to perform the relevant tasks (such as performances, celebrity endorsement in advertising, commercial and non-commercial business activities, development of celebrity products and personal brands, management of personal interests (including but not limited to the right to control the use of one's name, image and reputation) and any other matters relating to the entertainment career(s) of Cool Young's artist(s)) (the "Relevant Tasks") as required by AGH or any of its affiliates or any of their third-party clients by paying the engagement fees to Cool Young; and (ii) AGH or any of its affiliates recommends to, and coordinates with a third-party client to engage Cool Young's artist(s) to perform the Relevant Tasks as required by such third-party client, and receives the agency service fees from Cool Young.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(6) Talent Agency Cooperation Framework Agreement and Renewed Talent Agency Cooperation Framework Agreement *(Continued)*

On March 28, 2022, Cool Young entered into a renewed talent agency cooperation framework agreement (the "Renewed Talent Agency Cooperation Framework Agreement") with AGH, for a term commenced from April 1, 2022 and ending on March 31, 2025, to renew the Talent Agency Cooperation Framework Agreement. For the three financial years ended/ending March 31, 2023, March 31, 2024 and March 31, 2025, (i) the annual caps of the engagement fees payable by AGH and any of its affiliates to Cool Young under the Renewed Talent Agency Cooperation Framework Agreement are RMB75,000,000, RMB100,000,000 and RMB120,000,000, respectively; and (ii) the annual caps of the agency service fees payable by Cool Young to AGH and any of its affiliates under the Renewed Talent Agency Cooperation Framework Agreement are RMB4,500,000, RMB6,000,000 and RMB6,000,000, respectively. For the financial year ended March 31, 2023, (i) the actual engagement fees paid/payable by AGH and any of its affiliates to Cool Young under the Renewed Talent Agency Cooperation Framework Agreement amounted to approximately RMB14,656,000; and (ii) the actual agency service fees paid/payable by Cool Young to AGH and any of its affiliates under the Renewed Talent Agency Cooperation Framework Agreement was nil.

(7) Commercial Development Services Agreement and Renewed Commercial Development Services Agreement

On April 12, 2019, 上海淘票票影視文化有限公司 (Shanghai Tao Piao Piao Movie & TV Culture Co., Ltd.*) ("Shanghai TPP"), a consolidated subsidiary of the Company, entered into a commercial development services agreement (the "Commercial Development Services Agreement") with Youku Information, a consolidated entity of AGH, for a term commenced from April 1, 2019 and ended on March 31, 2022. Pursuant to the Commercial Development Services Agreement, Shanghai TPP agreed to provide, and Youku Information agreed to use, the services in relation to the commercial development of the original entertainment programs.

On March 25, 2022, Zhonglian Shengshi, an indirect wholly-owned subsidiary of the Company, entered into a renewed commercial development services agreement (the "Renewed Commercial Development Services Agreement") with Youku Information to renew the Commercial Development Services Agreement for a term commenced from April 1, 2022 and ending on March 31, 2025. The annual caps of the service fees under the Renewed Commercial Development Services Agreement for each of the three financial years ended/ending March 31, 2023, March 31, 2024 and March 31, 2025 are RMB80,000,000. The actual service fees paid/payable by Youku Information to Zhonglian Shengshi under the Renewed Commercial Development Services Agreement for the financial year ended March 31, 2023 amounted to approximately RMB27,316,000.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(8) Movie and Drama Series Cooperation Framework Agreement

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

On December 1, 2020, Alibaba Pictures (Tianjin) and Youku Technology entered into a supplemental agreement (the "Supplemental Agreement I") (i) to extend the term of the Movie and Drama Series Cooperation Framework Agreement to March 31, 2023; and (ii) to revise certain terms of the Movie and Drama Series Cooperation Framework Agreement relating to the maximum lengths of the target dramas and movies to be purchased by Youku Technology and/or any of its affiliates and the pricing bases of the purchase price for the target dramas. Accordingly, the Board proposed to revise the annual caps for the two financial years ended March 31, 2021 and 2022 from RMB600,000,000 to RMB850,000,000 and from RMB600,000,000 to RMB900,000,000, respectively and to set an annual cap for the financial year ending March 31, 2023 at RMB950,000,000 (the "New Annual Cap"). The Supplemental Agreement I, the transactions contemplated thereunder and the above-mentioned revised annual caps and the New Annual Cap were approved, confirmed and ratified by the independent shareholders of the Company at the special general meeting held on February 5, 2021.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

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

The actual aggregate amount of copyright fees, commercial development fees and distribution agency fees charged/chargeable by Alibaba Pictures (Tianjin) and/or any of its affiliates to Youku Technology and/or any of its affiliates for the transactions contemplated under the Movie and Drama Series Cooperation Framework Agreement (as supplemented and amended by the Supplemental Agreement I) for the financial years ended March 31, 2020, March 31, 2021, March 31, 2022 and March 31, 2023 amounted to approximately RMB18,102,000, RMB548,409,000, RMB791,899,000 and RMB648,680,000 respectively.

On February 8, 2023, Alibaba Pictures (Tianjin) and Youku Technology entered into a transfer of copyrights framework agreement (the "Transfer of Copyrights Framework Agreement") and the commercial development and distribution services framework agreement (the "Commercial Development and Distribution Services Framework Agreement") for a term commenced on April 1, 2023 and ending on March 31, 2026, to renew the Movie and Drama Series Cooperation Framework Agreement as supplemented by the Supplemental Agreement I. For the three financial years ending March 31, 2024, March 31, 2025 and March 31, 2026, (i) the annual caps of the total fees chargeable by Alibaba Pictures (Tianjin) and/or any of its affiliates to Youku Technology under the Transfer of Copyrights Framework Agreement are RMB1,600,000,000, RMB1,900,000,000 and RMB2,000,000,000, respectively; and (ii) the annual caps of the total fees chargeable by Alibaba Pictures (Tianjin) and/or any of its affiliates to Youku Technology under the Commercial Development and Distribution Services Framework Agreement are RMB30,000,000, RMB40,000,000 and RMB50,000,000, respectively. The Transfer of Copyrights Framework Agreement and the transactions contemplated thereunder (including the annual caps) were approved, confirmed and ratified by the independent shareholders of the Company at the special general meeting held on March 27, 2023.

(9) ***Copyrights Procurement Framework Agreement and Renewed Copyrights Procurement Framework Agreement***

On December 6, 2019, Alibaba Pictures (Tianjin), a consolidated subsidiary of the Company, entered into a copyrights procurement framework agreement (the "Copyrights Procurement Framework Agreement") with Youku Technology, an indirect wholly-owned subsidiary of AGH, for a term commenced from December 6, 2019 and ended on March 31, 2022. Pursuant to the Copyrights Procurement Framework Agreement, the parties agreed that Youku Technology and/or any of its affiliates may transfer to Alibaba Pictures (Tianjin) and/or any of its affiliates, and/or grant Alibaba Pictures (Tianjin) and/or any of its affiliates a license to use, all or part of its copyrights on the written works, cartoons, films, TV dramas and online dramas, musical works and any other works, etc. (the "Copyrights on the Target Works") for the production of films and dramas, promotion and distribution and other businesses of Alibaba Pictures (Tianjin) and/or any of its affiliates.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(9) Copyrights Procurement Framework Agreement and Renewed Copyrights Procurement Framework Agreement *(Continued)*

On March 31, 2022, Alibaba Pictures (Tianjin) entered into a renewed copyrights procurement framework agreement (the "Renewed Copyrights Procurement Framework Agreement") with Youku Technology to renew the Copyrights Procurement Framework Agreement, for a term commenced from April 1, 2022 and ending on March 31, 2025. The annual caps in respect of the procurement of the Copyrights on the Target Works under the Renewed Copyrights Procurement Framework Agreement for each of the financial year ended/ending March 31, 2023, March 31, 2024 and March 31, 2025 is RMB40,000,000. The actual transaction amount in respect of the procurement of the Copyrights on the Target Works by Alibaba Pictures (Tianjin) and/or any of its affiliates from Youku Technology and/or any of its affiliates under the Renewed Copyrights Procurement Framework Agreement for the financial years ended March 31, 2023 was nil.

(10) Marketing and Promotion Services Framework Agreement I and Renewed Marketing and Promotion Services Framework Agreement I

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

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

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

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

For the financial years ended March 31, 2021 and March 31, 2022, (i) the actual total fees paid/payable by Youku Information and/or Cool Young and/or any of their affiliates to Beijing Alibaba Pictures and/or Beijing Taoxiu and/or any of their affiliates with respect to the Marketing and Promotion Services Framework Agreement I amounted to approximately RMB25,335,000 and RMB11,436,000 respectively; and (ii) the actual total fees paid/payable by Beijing Alibaba Pictures and/or Beijing Taoxiu and/or any of their affiliates to Youku Information and/or Cool Young and/or any of their affiliates with respect to the Marketing and Promotion Services Framework Agreement I were nil.

On March 30, 2022, Beijing Alibaba Pictures and Beijing Taoxiu entered into the renewed marketing and promotion services framework agreement I (the "Renewed Marketing and Promotion Services Framework Agreement I") with Youku Information and Cool Young for a term commenced from April 1, 2022 and ending on March 31, 2025, to renew the Marketing and Promotion Services Framework Agreement I and to expand the scope of services to cover cooperations in relation to talent agency commercial development and copyrights procurement of short-form and medium-form videos. For the three financial years ended/ending on March 31, 2023, March 31, 2024 and March 31, 2025, (i) the annual caps for the total fees payable by Youku Information and/or Cool Young and/or any of their affiliates to Beijing Alibaba Pictures and/or Beijing Taoxiu and/or any of their affiliates with respect to the transactions contemplated under the Renewed Marketing and Promotion Services Framework Agreement I are RMB78,000,000, RMB88,000,000 and RMB98,000,000, respectively; and (ii) the annual caps for the total fees payable by Beijing Alibaba Pictures and/or Beijing Taoxiu and/or any of their affiliates to Youku Information and/or Cool Young and/or any of their affiliates with respect to the transactions contemplated under the Renewed Marketing and Promotion Services Framework Agreement I are RMB15,000,000, RMB18,000,000 and RMB22,000,000, respectively. For the financial year ended March 31, 2023, (i) the actual total fees paid/payable by Youku Information and/or Cool Young and/or any of their affiliates to Beijing Alibaba Pictures and/or Beijing Taoxiu and/or any of their affiliates with respect to the Renewed Marketing and Promotion Services Framework Agreement I amounted to approximately RMB17,484,000; and (ii) the actual total fees paid/payable by Beijing Alibaba Pictures and/or Beijing Taoxiu and/or any of their affiliates to Youku Information and/or Cool Young and/or any of their affiliates with respect to the Renewed Marketing and Promotion Services Framework Agreement I was nil.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(11) Variety Shows Cooperation Framework Agreement

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

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

For the financial years ended March 31, 2021, March 31, 2022 and March 31, 2023 (i) the total actual investment amount made by the Company and/or its affiliates and the total actual fees paid/payable by the Company and/or its affiliates to Youku Information and/or its affiliates under the Variety Shows Cooperation Framework Agreement were nil; and (ii) the total actual fees paid/payable by Youku Information and/or its affiliates to the Company and/or its affiliates with respect to the transactions contemplated under the Variety Shows Cooperation Framework Agreement amounted to approximately RMB2,090,000, RMB26,979,000 and RMB9,846,000 respectively.

(12) Advertising Services and IP Commercialization Cooperation Framework Agreement and 2023 Advertising Services and IP Commercialization Cooperation Framework Agreement

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

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(12) *Advertising Services and IP Commercialization Cooperation Framework Agreement and 2023 Advertising Services and IP Commercialization Cooperation Framework Agreement* *(Continued)*

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

The annual caps for the total fees receivable by Shanghai Alibaba Pictures and its affiliates from Youku Tudou and/or its affiliates for the IP commercialization cooperation and the provision of the advertising services contemplated under the Advertising Services and IP Commercialization Cooperation Framework Agreement (as supplemented by the Advertising Services and IP Commercialization Cooperation Framework Supplemental Agreement) for each of the two financial years ended March 31, 2022 and March 31, 2023 are RMB41,000,000 and RMB46,000,000 respectively. The actual service fees received/receivable by Shanghai Alibaba Pictures and its affiliates from Youku Tudou and/or its affiliates under the Advertising Services and IP Commercialization Cooperation Framework Agreement (as supplemented by the Advertising Services and IP Commercialization Cooperation Framework Supplemental Agreement) for the financial year ended March 31, 2023 amounted to approximately RMB6,735,000.

On March 28, 2023, Shanghai Alibaba Pictures entered into a renewed advertising services and IP commercialization cooperation framework agreement ("2023 Advertising Services and IP Commercialization Cooperation Framework Agreement") with Youku Technology for a term commencing on April 1, 2023 and ending on March 31, 2024 (which, upon expiration of such term, is automatically renewed for a successive period of one year subject to compliance with the requirements of the Listing Rules), to renew the Advertising Services and IP Commercialization Cooperation Framework Agreement (as supplemented by the Advertising Services and IP Commercialization Cooperation Framework Supplemental Agreement). For the financial year ending March 31, 2024, the annual cap of the total fees receivable by Shanghai Alibaba Pictures and/or its affiliates from Youku Technology and/or its affiliates under the 2023 Advertising Services and IP Commercialization Cooperation Framework Agreement is RMB10,000,000.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(13) *Warehousing and Logistics Services Framework Agreement and 2023 Warehousing And Logistics Services Framework Agreement*

On June 17, 2021, 天津端盒拿趣科技有限公司 (Tianjin Duanhenaqu Technology Co., Ltd.*) ("Tianjin Duanhenaqu"), a consolidated subsidiary of the Company, and Hangzhou Cainiao, an indirect non-wholly-owned subsidiary of AGH, entered into a warehousing and logistics services framework agreement (the "Warehousing and Logistics Services Framework Agreement") for a term commenced from June 17, 2021 and ended on March 31, 2023. Pursuant to the Warehousing and Logistics Services Framework Agreement, Tianjin Duanhenaqu and/or its affiliates may procure warehousing services, distribution services, packaging services, system services, training service, customer services and other warehousing and logistics related services from Hangzhou Cainiao and/or its affiliates. The annual caps for the total fees payable by Tianjin Duanhenaqu and/or its affiliates to Hangzhou Cainiao and/or its affiliates with respect to the transactions contemplated under the Warehousing and Logistics Services Framework Agreement for the financial years ended March 31, 2022 and March 31, 2023 are fixed at RMB15,000,000 and RMB30,000,000, respectively. The actual service fees paid/payable by Tianjin Duanhenaqu and/or its affiliates to Hangzhou Cainiao and/or its affiliates with respect to the Warehousing and Logistics Services Framework Agreement for the financial years ended March 31, 2022 and March 31, 2023 amounted to approximately RMB2,210,000 and RMB3,863,000, respectively.

On March 28, 2023, Tianjin Duanhenaqu entered into a renewed warehousing and logistics services framework agreement ("2023 Warehousing And Logistics Services Framework Agreement") with Hangzhou Cainiao, for a term commencing on April 1, 2023 and ending on March 31, 2026, to renew the Warehousing And Logistics Services Framework Agreement. For the three financial years ending March 31, 2024, March 31, 2025 and March 31, 2026, the annual caps for the total fees payable by Tianjin Duanhenaqu and/or its affiliates to Hangzhou Cainiao and/or its affiliates under the 2023 Warehousing and Logistics Services Framework Agreement are RMB10,000,000, RMB11,000,000 and RMB12,000,000, respectively.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(14) *Operation Services Agreement*

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

The actual service fees paid/payable by Beijing Damai and/or its affiliates to Zhonglian Shengshi under the Operation Services Agreement for the financial year ended March 31, 2023 amounted to approximately RMB370,929,000.

(15) *Digital Collectibles Issuance Cooperation Framework Agreement*

On April 14, 2022, Hainan Lingjing Culture Technology Co., Ltd.* (海南靈境文化科技有限公司) ("Hainan Lingjing"), a consolidated subsidiary of the Company, and Hangzhou Ant, an indirect wholly-owned subsidiary of Ant Group, entered into a digital collectibles issuance cooperation framework agreement (the "Digital Collectibles Issuance Cooperation Framework Agreement"), for a term commenced from April 14, 2022 and ending on March 31, 2025. Pursuant to the Digital Collectibles Issuance Cooperation Framework Agreement, Hainan Lingjing and/or any of its affiliates may enter into specific agreements with Hangzhou Ant and/or any of its affiliates for the issuance of digital collectibles on the Jingtan Platform, whereby (i) Hangzhou Ant and/or any of its affiliates may assist Hainan Lingjing and/or any of its affiliates in creating the digital collectibles based on the original works of Hainan Lingjing and/or any of its affiliates through blockchain technology services; and (ii) Hainan Lingjing and/or any of its affiliates may authorize Hangzhou Ant and/or any of its affiliates as seller(s) to sell the digital collectibles on the Jingtan Platform.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(15) Digital Collectibles Issuance Cooperation Framework Agreement *(Continued)*

The annual caps for the total fees payable by Hangzhou Ant and/or any of its affiliates to Hainan Lingjing and/or any of its affiliates under the Digital Collectibles Issuance Cooperation Framework Agreement for the financial year ended March 31, 2023 and the financial years ending March 31, 2024 and March 31, 2025 are RMB20,000,000, RMB30,000,000 and RMB40,000,000, respectively. The actual service fees paid/payable by Hangzhou Ant and/or its affiliates to Hainan Lingjing and/or its affiliates with respect to the Digital Collectibles Issuance Cooperation Framework Agreement for the financial year ended March 31, 2023 amounted to approximately RMB1,765,000.

(16) Digital Collectibles Technical Services Framework Agreement

On April 14, 2022, Shouquanbao, a consolidated subsidiary of the Company, and Ant Blockchain, an indirect wholly-owned subsidiary of Ant Group, entered into a digital collectibles technical services framework agreement ("Digital Collectibles Technical Services Framework Agreement") for a term commencing from April 14, 2022 and ending on March 31, 2025, whereby (i) Ant Blockchain and/or any of its affiliates may provide the blockchain technology services and other technical services to Shouquanbao and/or any of its affiliates, or (ii) Shouquanbao and/or any of its affiliates may provide intermediary services to Ant Blockchain and/or any of its affiliates.

The annual caps for the total service fees payable by Shouquanbao and/or any of its affiliates to Ant Blockchain and/or any of its affiliates for the blockchain technology services under the Digital Collectibles Technical Services Framework Agreement for the three financial years ended/ending March 31, 2023, March 31, 2024 and March 31, 2025 are RMB35,000,000, RMB45,000,000 and RMB55,000,000, respectively. The actual service fees paid/payable by Shouquanbao and/or any of its affiliates to Ant Blockchain and/or any of its affiliates with respect to the Digital Collectibles Technical Services Framework Agreement for the financial year ended March 31, 2023 amounted to approximately RMB7,883,000.

The annual cap for the total service fees payable by Ant Blockchain and/or any of its affiliates to Shouquanbao and/or any of its affiliates for the intermediary services under the Digital Collectibles Technical Services Framework Agreement for each of the financial year ended/ending March 31, 2023, March 31, 2024 and March 31, 2025 is RMB1,000,000. The actual service fees received/receivable by Shouquanbao and/or any of its affiliates from Ant Blockchain and/or any of its affiliates under the Digital Collectibles Technical Services Framework Agreement for the financial year ended March 31, 2023 were nil.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(17) Digital Collectibles Issuance Cooperation Agreement

On April 6, 2022, Hainan Lingjing, a consolidated subsidiary of the Company, and entered Hangzhou Ant, an indirect wholly-owned subsidiary of Ant Group, entered into a digital collectibles issuance cooperation agreement (the "Digital Collectibles Issuance Cooperation Agreement"), pursuant to which (i) Hangzhou Ant agreed to assist Hainan Lingjing in creating digital collectibles based on the original works of Hainan Lingjing through the blockchain technology services, and (ii) Hainan Lingjing agreed to authorize Hangzhou Ant as seller to sell digital collectibles on the Jingtan Platform. The term of the Digital Collectibles Issuance Cooperation Agreement commenced from April 6, 2022 and ended on the date of fulfilment of the order.

The actual fees paid/payable by Hangzhou Ant to Hainan Lingjing under the Digital Collectibles Issuance Cooperation Agreement for the period from April 6, 2022 to the date of fulfilment of the order amounted to RMB475,471.70.

(18) Digital Collectibles Technical Services Agreement

On April 13, 2022, Hainan Lingjing, a consolidated subsidiary of the Company, and entered Hangzhou Ant, an indirect wholly-owned subsidiary of Ant Group, entered into a digital collectibles technical services agreement (the "Digital Collectibles Technical Services Agreement"), pursuant to which Hangzhou Ant agreed to provide blockchain technology services to Hainan Lingjing for a term commenced from April 13, 2022 and ended on April 22, 2022.

The actual service fees paid/payable by Hainan Lingjing to Hangzhou Ant under the Digital Collectibles Technical Services Agreement for the period from April 13, 2022 to April 22, 2022 amounted to approximately RMB930,000.00.

(19) Live Event Management Services and Artist-related Services Cooperation Framework Agreement

On August 29, 2022, Cool Young, a consolidated subsidiary of the Company, entered into a cooperation framework agreement ("Live Event Management Services and Artist-related Services Cooperation Framework Agreement") with Alipay (Hangzhou), a wholly-owned subsidiary of Ant Group, for a term commencing from August 29, 2022 and ending on December 31, 2023, pursuant to which Cool Young and/or any of its affiliates may provide live event management services and artist-related service to Alipay (Hangzhou) and/or its affiliates.

The annual caps for the total service fees payable by Alipay (Hangzhou) and/or its affiliates to Cool Young and/or any of its affiliates under the Cooperation Framework Agreement for the financial year ended March 31, 2023 and nine months ended December 31, 2023 are RMB30,000,000 and RMB20,000,000, respectively. The actual service fees paid/payable by Alipay (Hangzhou) and/or any of its affiliates to Cool Young and/or any of its affiliates with respect to the Live Event Management Services and Artist-related Services Cooperation Framework Agreement for the financial year ended March 31, 2023 is nil.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(20) EBC Cost Reimbursement Framework Agreement

On September 29, 2022, the Company and AGH entered into an EBC cost reimbursement framework agreement (the "EBC Cost Reimbursement Framework Agreement") with an initial term commenced on September 29, 2022 and ended on March 31, 2023 (which upon expiration of such initial term, is automatically renewed for a successive period of one year subject to compliance with the requirements of the Listing Rules). Pursuant to the EBC Cost Reimbursement Framework Agreement, AGH may allocate to the Company, and the Company may allocate to Alibaba Holding, the equity-based compensation costs associated with the relevant unvested awards held by any grantees (whose employment is transferred to the Group or the AGH Entities, as the case may be) and each party may reimburse the other party the amount in respect of the relevant vested awards (the "EBC Cost Reimbursement").

The annual cap for the amount payable by the Company to AGH under the EBC Cost Reimbursement Framework Agreement for the year ended March 31, 2023 is RMB80,000,000. The annual cap for the amount payable by the Company to AGH under the EBC Cost Reimbursement Framework Agreement for the financial year ended March 31, 2023 is RMB12,000,000.

The actual amount paid/payable by the Company to AGH with respect to the EBC Cost Reimbursement Framework Agreement for the year ended March 31, 2023 amounted to RMB67,818,000. The actual amount paid/payable by AGH to the Company with respect to the EBC Cost Reimbursement Framework Agreement for the year ended March 31, 2023 amounted to RMB10,216,000.

On March 28, 2023, the Company announced that EBC Cost Reimbursement Framework Agreement would be renewed on April 1, 2023 for a term of one year commencing from April 1, 2023 and ending on March 31, 2024 by re-compliance with provisions of Chapter 14A of the Listing Rules applicable to the relevant continuing connected transactions. The annual cap for the amount payable by the Company to AGH under the EBC Cost Reimbursement Framework Agreement for the year ending March 31, 2024 is RMB36,000,000. The annual cap for the amount payable by AGH to the Company under the EBC Cost Reimbursement Framework Agreement for the financial year ending March 31, 2024 is RMB6,000,000.

(21) Production Services and the Programmes-related Commercial Development Services Cooperation Framework Agreement

On March 28, 2023, Beijing Fanni Culture Media Co., Ltd* (北京蕃尼蕃尼文化傳媒有限公司) ("Beijing Fanni"), a consolidated entity of the Company, entered into a cooperation framework agreement (the "Production Services and the Programmes-related Commercial Development Services Cooperation Framework Agreement") with Youku Information for a term commencing on April 1, 2023 and ending on March 31, 2026. Pursuant to the Production Services and the Programmes-related Commercial Development Services Cooperation Framework Agreement, (i) Youku Information and/or any of its affiliates, the parties to the agreement and/or any other investors of the programmes, movies and/or dramas may engage the Company's consolidated entity and/or its affiliates to produce the programmes, movies and/or dramas (the "Production Services"); and (ii) Youku Information and/or any of its affiliates may entrust the Company's consolidated entity and/or its affiliates to introduce customers for placement of advertisements, or commercial development, in relation to any programmes to be broadcasted on Youku Platform (collectively, the "Programmes-related Commercial Development Services"). The annual caps for the total fees in respect of the provision of the Production Services and the Programmes-related Commercial Development Services under the Production Services and the Programmes-related Commercial Development Services Cooperation Framework Agreement for the financial years ending March 31, 2024, March 31, 2025 and March 31, 2026 are RMB12,000,000, RMB13,000,000 and RMB14,000,000, respectively.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(22) Purchase Framework Agreement

On March 31, 2023, Shouquanbao, a consolidated entity of the Company, entered into a purchase framework agreement (the "Purchase Framework Agreement") with Alipay (Hangzhou), a wholly-owned subsidiary of Ant Group for a term commencing on April 1, 2023 and ending on March 31, 2026, whereby Alipay (Hangzhou) and/or any of its affiliates may purchase derivative commodities and any other products (the "Products") from Shouquanbao and/or any of its affiliates. The annual caps for the purchase for the financial years ending March 31, 2024, March 31, 2025 and March 31, 2026 are RMB30,000,000, RMB33,000,000 and RMB36,000,000, respectively.

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

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

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

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

(i) have not been approved by the Board;

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

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

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

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(23) Contractual Arrangements

Overview

The business of the Group involves movie production and distribution, radio and television programs production and operation, online data and transaction processing for online movie and live events ticketing platforms, internet information services for distributing information about investment in movies, television programs and entertainment business, and investment in movies, television programs and entertainment business (the "Restricted Business"). As the applicable PRC laws and regulations in force restrict foreign investment in the Restricted Businesses, the Group adopted a series of contractual arrangements with respect to three subsidiaries of the Company, namely: (i) Zhonglian Jinghua Culture Communication (Beijing) Co., Ltd.* (中聯京華文化傳播(北京)有限公司) ("Zhonglian Jinghua"), (ii) Beijing Ali Tao Movie & TV Culture Co., Ltd.* (北京阿里淘影視文化有限公司) ("Beijing Ali Tao"); and (iii) Shanghai Tao Piao Piao Movie & TV Culture Co., Ltd.* (上海淘票票影視文化有限公司) ("Shanghai Tao Piao Piao") (collectively, the "OPCOs") or their respective subsidiaries, which have enabled the Group, through its wholly owned subsidiaries, Zhonglian Shengshi and Hangzhou Taopiaopiao Technology Co., Ltd.* (杭州淘票票科技有限公司) (formerly known as Hangzhou Tao Piao Piao Movie & TV Culture Co., Ltd.* (杭州淘票票影視文化有限公司)) ("Hangzhou Tao Piao Piao") (each a "WFOE" and collectively, the "WFOEs"), to obtain effective control over, and receive all the economic benefits generated by, the businesses operated by the OPCOs, and the OPCOs, in turn, operate the Restricted Businesses through itself and its subsidiaries.

Prior to the VIE Restructuring (as defined below), the contractual arrangements were entered into among the WFOEs, the OPCOs and the four individual registered owners of the OPCOs (the "Ex-Registered Owners") (the "Previous Contractual Arrangements").

As part of AGH's strategy in enhancing the variable interest entities ("VIEs") structure, during the financial year ended March 31, 2021, the four Ex-Registered Owners under the Previous Contractual Arrangements entered into equity transfer agreements with Beijing Baoxuan Yingcheng Culture Co., Ltd.* (北京寶軒影橙文化有限公司) ("Beijing Baoxuan"), pursuant to which (a) two Ex-Registered Owners agreed to transfer 50% and 50% of the equity interests in each of Zhonglian Jinghua and Beijing Ali Tao respectively to Beijing Baoxuan, and (b) the other two Ex-Registered Owners agreed to transfer 50% and 50% of the equity interests in Shanghai Tao Piao Piao respectively to Beijing Baoxuan (the "VIE Restructuring"). On the same day, each of the OPCOs (i.e. Zhonglian Jinghua, Beijing Ali Tao and Shanghai Tao Piao Piao) became owned as to 100% by Beijing Baoxuan. Beijing Baoxuan is wholly-owned by Hangzhou Baoxuan Investment Management Co., Ltd.* (杭州寶軒投資管理有限公司), a company established in the PRC with limited liability ("PRC Investco"), which is held as to each 50% by two PRC limited partnerships established in the PRC ("PRC LPs"), both of which were ultimately owned by a company established in the PRC with limited liability serving as a general partner of the PRC LPs ("PRC GP") and five selected members of the Alibaba Partnership or AGH's management who are PRC citizens (the "Five Individuals").

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(23) Contractual Arrangements *(Continued)*

Overview *(Continued)*

As a result of the equity transfers under the VIE Restructuring, the Group entered into a series of contractual arrangements (the "Contractual Arrangements") with the OPCOs and Beijing Baoxuan (as new registered owner of OPCOs) (the "Registered Owner"), which contain substantially the same terms as the Previous Contractual Arrangements and enable the Group to continue, through the WFOEs, to maintain effective control over, and receive all the economic benefits generated by, the businesses operated by the OPCOs, which in turn operate the Restricted Businesses through itself and its subsidiaries. The VIE Restructuring has been first disclosed in the Company's 2020/21 Annual Report. Further details in relation to the terms of the Structured Contracts (as defined below) and Contractual Arrangements are set out below. Through the Structured Contracts and the Contractual Arrangements, the results of operations, assets and liabilities, and cash flows of the OPCOs were consolidated into the Company's financial statements, and the OPCOs were regarded as indirect subsidiaries of the Group under HKFRS 10 during the year ended March 31, 2023.

Particulars of the OPCOs and their Registered Owner

As at March 31, 2023, particulars of the OPCOs and their respective registered owner are as follows:

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

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(23) Contractual Arrangements (Continued)

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

The following table sets out the subsidiaries of Zhonglian Jinghua as at March 31,2023:

Name of Subsidiary	Holding Company	Ownership	Principal Activities
Zhonglian Huameng (Shanghai) Cultural Media Co., Ltd.* (中聯華盟(上海)文化傳媒有限公司)	Zhonglian Jinghua	100%	Production of broadcasting & television programs; distribution; exchanging and planning of screen- based, cultural & art events; film investment
Beijing Alibaba Pictures Culture Co., Ltd.* (北京阿里巴巴影業文化有限公司)	Zhonglian Jinghua	100%	Film distribution, film production; performance brokerage; production of broadcasting & television programs
Beijing Silu Yunpai Technology Co., Ltd.* (北京思盧雲拍科技有限公司)	Zhonglian Jinghua	60%	Technical promotion services; computer system services; software design; design, production, agency sale and release of advertisements
Alibaba Pictures (Tianjin) Co., Ltd.* (阿里巴巴影業(天津)有限公司)	Beijing Alibaba Pictures Culture Co., Ltd.	100%	Production of broadcasting & television programs
Alibaba Shouquanbao (Tianjin) Culture Communication Co., Ltd.* (阿里巴巴授權寶(天津)文化傳播有限公司)	Beijing Alibaba Pictures Culture Co., Ltd.	100%	Advertising and sale of entertainment related merchandise and derivative products
Hangzhou Youwu Culture Communication Co., Ltd.* (杭州魷物文化傳播有限公司)	Alibaba Shouquanbao (Tianjin) Culture Communication Co., Ltd.	100%	Digital collectibles issuance, establishment of platforms

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(23) Contractual Arrangements *(Continued)*

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

The following table sets out the subsidiaries of Beijing Ali Tao as at March 31, 2023:

Name of Subsidiary	Holding Company	Ownership	Principal Activities
Zhejiang Dongyang Microcosmic Movie & Media Co., Ltd.* (浙江東陽小宇宙影視傳媒有限公司)	Beijing Ali Tao	100%	Investment in 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
Zhejiang Dongyang Alibaba Pictures Co., Ltd.* (浙江東陽阿里巴巴影業有限公司)	Beijing Ali Tao	100%	Investment in and production and distribution of film and TV copyrights; investment management
Alibaba Pictures (Beijing) Co., Ltd.* (阿里巴巴影業(北京)有限公司)	Beijing Ali Tao	100%	Investment in and production and distribution of film and TV copyrights
Horgos Xiaoyuzhou Movie & TV Culture Co., Ltd.* (霍爾果斯小宇宙影視文有限公司)	Zhejiang Dongyang Microcosmic Movie & Media Co., Ltd.	100%	Investment in and production and distribution of film copyrights
Beijing Blue Sky Dark Horse Culture Media Co., Ltd.* (北京藍天黑馬文化傳媒有限公司)	Zhejiang Dongyang Microcosmic Movie & Media Co., Ltd.	70%	Film distribution and marketing
Beijing Surprise Plentiful Culture Media Co., Ltd.* (北京鯨喜很多文化傳媒有限公司)	Beijing Blue Sky Dark Horse Culture Media Co., Ltd.	100%	Film distribution and marketing

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(23) Contractual Arrangements *(Continued)*

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

Name of Subsidiary	Holding Company	Ownership	Principal Activities
Beijing Imagination Infinity Culture Media Co., Ltd.* (北京想象力無限文化傳媒有限公司)	Beijing Blue Sky Dark Horse Culture Media Co., Ltd.	100%	Film distribution and marketing
Beijing Basic Skill Culture Media Co., Ltd.* (北京基本功文化傳媒有限公司)	Beijing Blue Sky Dark Horse Culture Media Co., Ltd.	100%	Film distribution and marketing
Beijing Xiangyang Culture Media Co., Ltd.* (北京象樣文化傳媒有限公司)	Beijing Blue Sky Dark Horse Culture Media Co., Ltd.	100%	Film distribution and marketing
Beijing Dark Horse Youth Culture Media Co., Ltd.* (北京黑馬青春文化傳媒有限公司)	Beijing Blue Sky Dark Horse Culture Media Co., Ltd.	100%	Film distribution and marketing
Beijing Yuliang Culture Media Co., Ltd.* (北京魚良文化傳媒有限公司)	Beijing Blue Sky Dark Horse Culture Media Co., Ltd.	100%	Film distribution and marketing
Shanghai Xingya Culture Media Co., Ltd.* (上海行鴨文化傳媒有限公司)	Beijing Blue Sky Dark Horse Culture Media Co., Ltd.	100%	Film distribution and marketing
Shanghai Yuliang Culture Media Co., Ltd.* (上海魚良文化傳媒有限公司)	Beijing Blue Sky Dark Horse Culture Media Co., Ltd.	100%	Film distribution and marketing
Zhongyu (Tianjin) Commercial Factoring Co., Ltd.* (中娛(天津)商業保理有限公司)	Beijing Yulebao Movie & Media Co., Ltd.	100%	Factoring
Hangzhou Kangmai Investment & Management Co., Ltd.* (杭州康邁投資管理有限公司)	Zhejiang Dongyang Alibaba Pictures Co., Ltd.	100%	Investment management, industrial investment and investment consultation

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(23) Contractual Arrangements *(Continued)*

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

Name of Subsidiary	Holding Company	Ownership	Principal Activities
Hangzhou Alibaba Movie & TV Investment & Management Co., Ltd.* (杭州阿里巴巴影視投資管理有限公司)	Zhejiang Dongyang Alibaba Pictures Co., Ltd.	100%	Investment management, industrial investment and investment consultation
Beijing Fanni Fanni Culture Media Co., Ltd.* (北京蕃尼蕃尼文化傳媒有限公司)	Zhejiang Dongyang Alibaba Pictures Co., Ltd.	60%	Production of variety shows, television programs and short dramas for children
Cool Young Culture Communication Co., Ltd.* (酷漾文化傳播有限公司)	Zhejiang Dongyang Alibaba Pictures Co., Ltd.	51%	Talent agency
Hainan Alibaba Pictures Co., Ltd.* (海南阿里巴巴影業有限公司)	Zhejiang Dongyang Alibaba Pictures Co., Ltd.	100%	Production, distribution, and marketing of film and television programs
Beijing Taoxiu New Media Technology Co., Ltd.* (北京淘秀新媒體科技有限公司)	Zhejiang Dongyang Alibaba Pictures Co., Ltd.	60%	Internet information services, advertising and marketing
Tianjin Duanhenaqu Technology Co., Ltd.* (天津端盒拿趣科技有限公司)	Hangzhou Kangmai Investment & Management Co., Ltd.	100%	Sale of pop toys
Beijing Ju You Xiang Fa Movie & TV Culture Communication Co., Ltd.* (北京劇有想法影視文化傳播有限公司)	Hangzhou Kangmai Investment & Management Co., Ltd.	100%	Investment in and production and distribution of film and television programs
Beijing Tangerine Orange Culture Media Co., Ltd.* (北京橘子橙子文化傳媒有限公司)	Hangzhou Kangmai Investment & Management Co., Ltd.	100%	Marketing of film and television programs

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(23) Contractual Arrangements *(Continued)*

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

Name of Subsidiary	Holding Company	Ownership	Principal Activities
Aliyu (Tianjin) Culture Communication Co., Ltd.* (阿鯉魚(天津)文化傳播有限公司)	Hangzhou Kangmai Investment & Management Co., Ltd.	100%	IP-related products
Hainan Lingjing Culture Technology Co., Ltd.* (海南靈境文化科技有限公司)	Hangzhou Kangmai Investment & Management Co., Ltd.	100%	Digital collectibles issuance
Tianjin Ju You Yin Li Movie & TV Culture Communication Co., Ltd.* (天津劇有引力影視文化傳播有限公司)	Hangzhou Kangmai Investment & Management Co., Ltd.	100%	Production, distribution of broadcasting & television programs
Taomailang (Beijing) Technology Co., Ltd.* (淘麥郎(北京)科技有限公司)	Hangzhou Kangmai Investment & Management Co., Ltd.	100%	Computer system services
Zhejiang Tao Piao Piao Movie & TV Culture Media Co., Ltd.* (浙江淘票票影視文化傳媒有限公司)	Hangzhou Kangmai Investment & Management Co., Ltd.	100%	Production and distribution of broadcasting & television programs
Suzhou Ju You Xiang Fa Movie & TV Culture Communication Co., Ltd.* (蘇州劇有想法影視文化傳播有限公司)	Hangzhou Kangmai Investment & Management Co., Ltd.	100%	Production and distribution of broadcasting & television programs
Beijing Ju You Xin Yi Movie & TV Culture Co., Ltd.* (北京劇有心意影視文化有限公司)	Beijing Ju You Xiang Fa Movie & TV Culture Communication Co., Ltd.	100%	Production of broadcasting & television programs

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(23) Contractual Arrangements *(Continued)*

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

Name of Subsidiary	Holding Company	Ownership	Principal Activities
Fuzhou As One Movie & TV Culture Communication Co., Ltd* (福州淇心劇力影視文化傳播有限公司)	Beijing Ju You Xiang Fa Movie & TV Culture Communication Co., Ltd.	100%	Production and distribution of broadcasting & television programs
Zhejiang As One Movie & TV Culture Communication Co., Ltd* (浙江淇心劇力影視文化傳播有限公司)	Beijing Ju You Xiang Fa Movie & TV Culture Communication Co., Ltd.	100%	Production and distribution of broadcasting & television programs
Beijing 102 Artists Agency Co., Ltd* (北京壹零貳藝人經紀有限公司)	Cool Young Culture Communication Co., Ltd.	100%	Talent agency
Beijing Liyu Culture Communication Co., Ltd.* (北京里娛文化傳播有限責任公司)	Cool Young Culture Communication Co., Ltd.	100%	Talent agency
Hainan Canno Studio Pictures Co., Ltd.* (海南可能製造影業有限公司)	Hainan Alibaba Pictures Co., Ltd.	100%	Production, distribution, and marketing of film and television programs

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(23) Contractual Arrangements *(Continued)*

Summary of the major terms of the Contractual Arrangements

As at March 31, 2023, there were three sets of ongoing Contractual Arrangements in place:

(a) in respect of Zhonglian Jinghua, a series of exclusive service agreements, loan agreements, equity interest pledge agreements, powers of attorney on shareholders' voting rights and exclusive option agreements (the "Structured Contracts") were entered into Zhonglian Shengshi (as the Company's Subsidiary, i.e. one of the WFOEs), Zhonglian Jinghua (as the OPCO) and Beijing Baoxuan (as the Registered Owner);

(b) in respect of Beijing Ali Tao, the Structured Contracts were entered into among Zhonglian Shengshi (as the Company's Subsidiary, i.e. one of the WFOEs), Beijing Ali Tao (as the OPCO) and Beijing Baoxuan (as the Registered Owner); and

(c) in respect of Shanghai Tao Piao Piao, the Structured Contracts were entered into among Hangzhou Tao Piao Piao (as the Company's Subsidiary, i.e. one of the WFOEs), Shanghai Tao Piao Piao (as the OPCO) and Beijing Baoxuan Yingcheng (as the registered owner).

Each of the above sets of Contractual Arrangements includes substantially similar terms and the terms of the Contractual Arrangements are substantially consistent with the Previous Contractual Arrangements without substantive variation. A brief summary of the major terms is set out below:

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

Pursuant to the Exclusive Service Agreements, the relevant OPCO has agreed to engage the relevant WFOE as its exclusive provider of, among other matters, technical support and consultancy services requested by the relevant OPCO from time to time to the extent permitted under applicable PRC laws in exchange for service fees. The service fees are fixed with reference to the net profit of the relevant OPCO. In respect of certain specific technical services requested by the relevant OPCO, the relevant OPCO shall pay the relevant WFOE a service fee as quoted by the relevant WFOE taking into account the nature and workload of such services. The relevant WFOE 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 WFOE 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 WFOE or the relevant OPCO in the course of the provision of services under the relevant Exclusive Service Agreement.

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

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(23) Contractual Arrangements *(Continued)*

Summary of the major terms of the Contractual Arrangements *(Continued)*

(2) Loan Agreements (借款協議)

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

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

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

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

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

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(23) Contractual Arrangements *(Continued)*

Summary of the major terms of the Contractual Arrangements *(Continued)*

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

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

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

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

(c) signing meeting minutes and resolutions;

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

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

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

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

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

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(23) Contractual Arrangements *(Continued)*

Summary of the major terms of the Contractual Arrangements *(Continued)*

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

Pursuant to the Exclusive Option Agreements, Beijing Baoxuan agreed to irrevocably, unconditionally and exclusively grant an exclusive option to the relevant WFOE, so that the relevant WFOE may elect to purchase, when permitted by the then applicable PRC laws, all or any part of the equity interests in, and/or all or any of the assets of, the relevant OPCO from Beijing Baoxuan by themselves or through their designee(s). In the event that any of the options is exercised by the relevant WFOE, the transfer price of the relevant equity interests and assets shall correspond to the registered capital amount and the net asset value, respectively, or the legal minimum price under the then applicable PRC laws (as the case may be). Subject to the applicable PRC laws, Beijing Baoxuan shall transfer all the consideration it receives in relation to such transfer of equity interests in and assets of the relevant OPCO to the relevant WFOE 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 WFOE, Beijing Baoxuan shall not sell, transfer, mortgage or dispose of in any manner any assets of the relevant OPCO (except in the ordinary course of business), or legal or beneficial interest in the business or revenues of the relevant OPCO, or allow the creation of any security interest thereon.

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

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(23) Contractual Arrangements *(Continued)*

Revenue and assets subject to the Contractual Arrangements

During the Reporting Period, the Group expanded the scale of investments and business operated under the OPCOs, and revenues generated from and assets held through the OPCOs had begun to form a material portion of the Group's total revenue and assets. The following table sets out (i) revenue and (ii) assets involving the OPCOs which are consolidated into the Group's financial statements pursuant to the Structured Contracts:

	Revenue (RMB'000) (proportionate % to the Group) For the year ended March 31, 2023	Assets (RMB'000) (proportionate % to the Group) As at March 31, 2023
Zhonglian Jinghua	1,202,365 (34%)	3,691,051 (24%)
Beijing Ali Tao	1,399,863 (40%)	3,692,547 (24%)
Shanghai Tao Piao Piao	28,788 (1%)	109,028 (1%)

Reasons for using the Contractual Arrangements

As disclosed above, as the applicable PRC laws and regulations as detailed below in force restrict foreign investment in the Restricted Businesses which are fundamental to the Group's business, the Group has participated in the Restricted Businesses through the Contractual Arrangements.

According to the Special Administrative Measures (Negative List) for the Access of Foreign Investment (外商投資准入特別管理措施(負面清單)), Regulations relating to the Management of Foreign-Invested Telecommunications Enterprises (外商投資電信企業管理規定) and other applicable laws and regulations in the PRC (the "PRC Regulations"), in order to engage in the Restricted Businesses, a company is required to obtain permit to distribute movies (電影發行經營許可證), permit to produce and distribute radio or television programs (廣播電視節目製作經營許可證), EDI permit relating to online data and transaction processing for online movie and live events ticketing platforms (增值電信業務經營許可證) and ICP permit relating to internet information services for distributing information about investment in movies, television programs and entertainment business (增值電信業務經營許可證) and, subject to certain limited exceptions, foreign investors are prohibited from holding equity interest in any companies that engage in the Restricted Businesses. Due to such legal restriction on foreign ownership and investment in the Restricted Businesses, the Company, decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions, the Company would obtain effective control over, and receive all the economic benefits generated by, the businesses operated by the OPCOs through the Contractual Arrangements. In the opinion of the Company's PRC legal advisers, the Contractual Arrangements do not violate applicable PRC laws and regulations.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(23) Contractual Arrangements *(Continued)*

Risks associated with the Contractual Arrangements and the actions taken by the Group to mitigate the risks

The Company's PRC legal advisers had advised us that while the Contractual Arrangements do not violate the applicable PRC laws and regulations, there are uncertainties regarding the interpretation and application of the applicable PRC laws, rules, and regulations. As such, the Group believes the following risks are associated with the Contractual Arrangements:

- If the PRC government finds that the Contractual Arrangements that allow the Company to consolidate the results of operations, assets and liabilities, and cash flows of the OPCOs which operate the Restricted Businesses do not comply with applicable PRC laws and regulations, we could be subject to penalties and our business may be materially and adversely affected;
- Certain terms of the Contractual Arrangements may not be enforceable under PRC laws;
- The Contractual Arrangements may not be as effective in providing control over the OPCOs as equity ownership;
- Any failure by the OPCOs or the Registered Owner to perform their obligations under the Contractual Arrangements would potentially lead to the Company having to incur additional costs and expend material resources to enforce such arrangements, and/or temporary or permanent loss of control over the Restricted Businesses and the revenue from these businesses;
- The Registered Owner may have potential conflicts of interest with the Group, which may materially and adversely affect the Group's business and financial condition;
- The Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and they may determine that the Company or the OPCOs owe additional taxes, which could negatively affect the Group's financial condition and the value of the Shareholders' investment;
- If any of the WFOEs or OPCOs becomes the subject of a bankruptcy or liquidation proceeding, the Group may lose the ability to use and enjoy certain important assets, which could materially and adversely affect its business;
- The Company's 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;
- The Company does not have any insurance which covers the risks relating to the Contractual Arrangements and the transactions contemplated thereunder; and
- The Group's current corporate structure and business operations may be affected by the Foreign Investment Law of the PRC.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(23) Contractual Arrangements *(Continued)*

Risks associated with the Contractual Arrangements and the actions taken by the Group to mitigate the risks *(Continued)*

The Group has adopted the following measures to ensure the effective internal control and operation of the Group with the implementation of the Contractual Arrangements and the compliance with the Contractual Arrangements:

(i) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;

(ii) the Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

(iii) the Company will disclose the overall performance of and compliance with the Contractual Arrangements in its annual reports; and

(iv) the Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of the WFOEs and the OPCOs to deal with specific issues or matters arising from the Contractual Arrangements.

Material changes in the foreign ownership restriction requirements

The Contractual Arrangements have been put in place purely to allow the Group to comply with the foreign ownership restrictions under the PRC Regulations. Save as disclosed, during the Reporting Period, there was no other material change in the Contractual Arrangements and/or the circumstances under which they were adopted, and none of the Contractual Arrangements had been unwound as the regulatory restrictions that led to their adoptions were not removed.

PricewaterhouseCoopers, 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 Company's independent auditor has confirmed in a letter to the Board that, with respect to the continuing connected transactions of the Company disclosed in this annual report entered into as at March 31, 2023:

(i) nothing has come to the auditor's attention that causes it to believe that the disclosed continuing connected transactions have not been approved by the Board;

(ii) for transactions involving the provision of goods or services by the Group, nothing has come to the auditor's attention that causes it to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(23) Contractual Arrangements *(Continued)*

Material changes in the foreign ownership restriction requirements *(Continued)*

(iii) nothing has come to the auditor's attention that causes it to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions;

(iv) with respect to the disclosed continuing connected transactions with the Registered Owner and the OPCOs under the Contractual Arrangements, nothing has come to the auditor's attention that causes it to believe that dividends or other distributions have been made by the OPCOs to the holders of the equity interests of the OPCOs which are not otherwise subsequently assigned or transferred to the Group; and

(v) with respect to the aggregate amount of each of the continuing connected transactions (other than the transactions under the Contractual Arrangements), nothing has come to the auditor's attention that causes it to believe that the disclosed 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 Hong Kong Stock Exchange when determining the price and terms of the transactions conducted during the Reporting Period.

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

* *For identification purpose only*

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

Listing Rules Implications

Upon a recent review by Alibaba Group of its overall VIE profile, the Company was informed that there has been an additional layer of contractual arrangements among the Five Individuals, the PRC GP, the PRC LPs and a wholly-owned subsidiary of Alibaba Group, pursuant to which AGH obtains effective control over, and receives all the economic benefits of Beijing Baoxuan (the "Additional VIE Arrangement"). Accordingly, Beijing Baoxuan is consolidated into the financial statements of Alibaba Group under the Additional VIE Arrangement for accounting treatment purposes.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(23) Contractual Arrangements *(Continued)*

Listing Rules Implications *(Continued)*

As such, Beijing Baoxuan, being an associate of AGH (which in turn is the ultimate controlling shareholder and a connected person of the Company), was or is, as the case may be, a connected person of the Company as at the date when the Contractual Arrangements were entered into and as at the date of this report. Therefore, the continuing transactions under the Contractual Arrangements should constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that it is inappropriate for the Company to (i) set an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (ii) limit the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules with the following grounds:

(i) the Previous Contractual Arrangements has been in place since in or around mid-2016 and that the Contractual Arrangements have terms substantially consistent to those of the Previous Contractual Arrangements, and that all necessary factual information about the Contractual Arrangements have been disclosed in the annual reports of the Company;

(ii) the Contractual Arrangements and the transactions contemplated thereunder are fundamental to the Group's legal structure and business operations as the adoption of the Contractual Arrangements enables the Group to continue, through the WFOEs, to maintain effective control over, and receive all the economic benefits generated by, the businesses operated by the OPCOs, which in turn operate the Restricted Businesses;

(iii) the Contractual Arrangements are for fixed terms and for a fixed period, and are entered into for the benefit of the Group, and unlike typical connected transactions, since the Registered Owner acts as shareholder of the OPCOs to facilitate the arrangements whereby economic benefits from the OPCOs are transferred to the Company, there is no concern of leakage of economic benefits to connected persons to the detriment of minority shareholders of the Company under the Contractual Arrangements;

(iv) the Directors (including the independent non-executive Directors), consider that the Contractual Arrangements are on normal commercial terms or on terms more favourable to the Group, in the ordinary and usual course of business of the Group and are fair and reasonable or to the advantage of the Group and are in the interests of the Company and the Shareholders as a whole; and

(v) the Company believes that it will not be in the interest of the Company and the Shareholders to set any annual cap on the amounts of fees payable to the Company under the Contractual Arrangements.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions *(Continued)*

(23) Contractual Arrangements *(Continued)*

Listing Rules Implications *(Continued)*

Pursuant to Rule 14A.52 of the Listing Rules, the Group has obtained the opinion from an independent financial adviser, pursuant to which the independent financial adviser considers that in relation to the Contractual Arrangements, (i) the continuing connected transactions in respect of the Contractual Arrangements have been entered into in the Group's ordinary and usual course of business on normal commercial terms, on terms that are fair and reasonable, and in the interest of the Company and the Shareholders as a whole; (ii) a term of longer than three years is required for the Contractual Arrangements; and (iii) it is normal business practice for the Contractual Arrangements to be of such duration exceeding three years. For details, please refer to the announcement of the Company dated June 30, 2023.

Based on the above, the Contractual Arrangements shall continue to be in place for so long as the shares of the Company are listed on the Hong Kong Stock Exchange subject to the following internal measures to safeguard the Contractual Arrangements:

(i) no change without independent non-executive Directors' approval;

(ii) no change without independent Shareholders' approval;

(iii) the Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the OPCOs; and

(iv) the Group will disclose details relating to the Contractual Arrangements on an ongoing basis.

Confirmation from the independent non-executive Directors

The independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that:

(i) the transactions carried out during the Reporting Period have been entered into in accordance with the relevant provisions of the Contractual Arrangements;

(ii) no dividends or other distributions have been made by the OPCOs to Beijing Baoxuan which are not otherwise subsequently assigned or transferred to the Group during the Reporting Period; and

(iii) any contracts renewed between the Group and the OPCOs during the Reporting Period are fair and reasonable, or advantageous to the Shareholders, so far as the Group is concerned and in the interests of the Company and the Shareholders as a whole.

DIRECTORS' REPORT

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at March 31, 2023, 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

Name of Shareholder	Capacity in which interests are held	Number of Shares/ underlying Shares held	Long position/ Short position	Approximate percentage of issued share capital *(Note 2)*
Ali CV	Beneficial owner *(Note 1)*	13,488,058,846	Long position	50.0007%
Alibaba Investment Limited ("AIL")	Interest of controlled corporation *(Note 1)*	13,488,058,846	Long position	50.0007%
AGH	Interest of controlled corporation *(Note 1)*	13,488,058,846	Long position	50.0007%
Bian Ximing/Yang Minghua	Beneficial owner	1,865,160,000	Long position	6.91%

Notes:

1. This represents the interest in 13,488,058,846 Shares held by Ali CV as beneficial owner. As of March 31, 2023, 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, 2023, the Company had a total of 26,975,740,156 Shares in issue.

Save as disclosed above, as at March 31, 2023, there were no other parties who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' INTEREST IN COMPETING BUSINESSES

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

PRE-EMPTIVE RIGHTS

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

DIRECTORS' REPORT

USE OF PROCEEDS FROM ISSUE OF EQUITY SECURITIES

On March 5, 2019, the Company allotted and issued 1,000,000,000 new ordinary Shares (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 as quoted on the Hong Kong Stock Exchange was HK$1.23 on December 7, 2018, being the last trading day immediately prior to the date on which the terms of the Subscription were fixed. The net proceeds, after deduction of all relevant expenses incidental to the Subscription, were estimated to be approximately HK$1,247,500,000 and the net subscription price per Subscription Share was approximately HK$1.25. The net proceeds from the Subscription would mainly be used for content investment, the further expansion of customer base, sales and marketing activities, selective mergers and acquisitions when opportunities arise, and general corporate purposes.

Set out below are (i) a detailed breakdown and description of the net proceeds from the Subscription used during the financial year ended March 31, 2023; and (ii) a detailed breakdown and description of the intended use of the remaining net proceeds from the Subscription as at March 31, 2023:

Use of proceeds	**Unused net proceeds as at April 1, 2022**	**Used net proceeds during the financial year ended March 31, 2023**	**Unused net proceeds as at March 31, 2023**	**Expected timeline for fully utilizing the remaining net proceeds**
	RMB million	*RMB million*	*RMB million*	*(Note)*
Content investment	144	(85)	59	≤1 year
Further expansion of customer base	102	(60)	42	≤1 year
Sales and marketing activities	23	(10)	13	≤1 year
General corporate purpose	20	(16)	4	≤1 year
Total	**289**	**(171)**	**118**	**≤1 year**

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

DIRECTORS' REPORT

ISSUANCE OF SHARES

Save for the issuance and allotment of Shares pursuant to the 2012 Share Option Scheme and the Share Award Scheme, the Company did not issue any Shares during the Reporting Period.

For details of movements in the share capital of the Company during the Reporting Period, please refer to Note 24 to the consolidated financial statements.

DEBENTURES

The Group did not issue any debenture during the Reporting Period.

EQUITY-LINKED AGREEMENTS

Save for the 2012 Share Option Scheme, the 2021 Share Option Scheme and the Share Award Scheme as disclosed in the section headed "Share Incentive Schemes" of this report on pages 24 to 38, the Company has not entered into any equity-linked agreement during the Reporting Period or there was not any subsisting equity-linked agreement entered into by the Company at the end of the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF SHARES

Except that the trustee of the Share Award Scheme purchased a total of 15,000,000 Shares from the market to satisfy the awarded shares granted to connected employees of the Company upon vesting pursuant to the terms and rules of the Share Award Scheme, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

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 82 to 110.

DONATIONS

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

TAXATION RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the Shares, 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.

DIRECTORS' REPORT

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, 2023 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 31, 2023

CORPORATE GOVERNANCE REPORT

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

Throughout the Reporting Period, the Company had applied and complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules during the Reporting Period, except for the deviation from code provision C.2.1 of the CG Code (the "Code Provision C.2.1") for the reasons below.

Code Provision C.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. The Company does not have a separate chairman and chief executive officer. Mr. Fan Luyuan, appointed as the chief executive officer of the Company on August 2, 2017, has also acted as chairman of the Board (the "Chairman") 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 given that there are sufficient checks and balance in the Board as a decision to be made by the Board requires approval by a majority of the Directors and such balance is ensured by the Board which comprises experienced and high caliber individuals and a sufficient number of independent non-executive Directors.

THE BOARD

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

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

Non-Executive Directors
Mr. Tung Pen Hung *(Appointed on May 15, 2023)*
Mr. Liu Zheng *(Resigned on May 15, 2023)*

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

CORPORATE GOVERNANCE REPORT

THE BOARD *(Continued)*

The Board has adopted a policy setting out the approach to achieve diversity on the Board (the "Board Diversity Policy") with the aims of enhancing the Board's effectiveness and strengthening the corporate governance for contributing to the long term growth and sustainability of the Company.

Pursuant to the Board Diversity Policy, 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. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board.

The Nomination Committee reviews the Board Diversity Policy on a regular basis and discusses any revisions that might be required, and recommends to the Board for consideration and approval.

As at March 31, 2023, the Board and senior management comprised six male members and one female member, and among the 1,393 employees of the Group, the ratio of male to female staff was approximately 1.04:1. The Board considers that the current Board is diverse in terms of gender and consists of members with an appropriate balance and level of knowledge, skills, experience and perspectives required to support the implementation of business strategies. The Company also takes into consideration factors based on its business needs and availability of the suitable qualified individuals in determining the optimal composition of the Board. At present, the Company has not set any measurable objectives for implementation of the diversity policies in relation to the Board members and the workforce of the Group (including gender diversity). However, the Company will consider and review from time to time such diversity policies (including gender diversity) and setting of any measurable objectives (if applicable).

An updated list of Board members identifying their roles and functions is maintained on the websites of the Company and the Hong Kong Stock Exchange. The brief biographical details of the Directors are set out in the section headed "Biographical Information of Directors and Senior Management" on pages 16 to 19. Save as disclosed therein, there is no financial, business, family or other material relationship among members of the Board.

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

CORPORATE GOVERNANCE REPORT

THE BOARD *(Continued)*

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

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group and to review and approve the Group's annual and interim results. Directors may participate either in person or through electronic means of communications. During the Reporting Period, eight 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)*	8/8	1/2
Mr. Li Jie	8/8	2/2
Mr. Meng Jun	8/8	2/2
Non-Executive Directors		
Mr. Tung Pen Hung[1] *(Appointed on May 15, 2023)*	N/A	N/A
Mr. Liu Zheng *(Resigned on May 15, 2023)*	8/8	1/2
Independent Non-Executive Directors		
Ms. Song Lixin	8/8	1/2
Mr. Tong Xiaomeng	7/8	2/2
Mr. Johnny Chen	8/8	2/2

Note:

1. Mr. Tung Pen Hung was appointed as NED on May 15, 2023. Since his appointment, no Board meeting or general meeting of the Company was held.

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

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

CORPORATE GOVERNANCE REPORT

THE BOARD *(Continued)*

The Board should meet regularly at least four times a year at approximately quarterly intervals. During the Reporting Period, the Board held 4 regular meetings and 4 ad hoc meeting. The Company's daily business operations are under the management of its executive Directors. In addition to regular meetings, the Board will hold ad hoc meetings from time to time as necessitated by business needs in order to consider and resolve all material business or management issues of the Company. At least 14 days' notice of a regular Board meeting is normally given to all Directors who are given an opportunity to include matters for discussion in the agenda. The company secretary assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least three days before the intended date of a regular Board meeting (and so far as practicable for such other Board meetings). Draft minutes of each Board meeting are circulated to all Directors for their comments. All minutes are kept by the Company Secretarial Department of the Company and are open for inspection at any reasonable time on reasonable notice by any Director.

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

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

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

Mechanisms to ensure Board Independence

The Company has mechanisms (the "Board Independence Mechanisms") in place to ensure independent views and input are available to the Board which is critical to good corporate governance. Pursuant to the Board Independence Mechanisms, the Board committees or individual Directors may seek independent professional advice, views and input as considered necessary to fulfil their responsibilities and in exercising independent judgement when making decision in furtherance of their Directors duties of the Company's expense. The implementation and effectiveness of such mechanisms will be reviewed by the Board on an annual basis. The findings of the Board's annual review are as follows:

- Proper meeting arrangements and procedures are in place to facilitate open, constructive, informed discussions and thorough consideration of relevant issues;
- The Board has full access to management's updates and availability of all material information on performance and key activities and projects; and
- The Board has access to independent professional advice at the expense of the Company if necessary to perform the responsibilities of the Board. Arrangement to seek independent professional advice can be made through the company secretary of the Company.

The board considered the Board Independence Mechanisms have been implemented effectively during the Reporting Period.

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 continually updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes are issued to Directors and senior management where appropriate, to ensure awareness of best corporate governance practices.

During the Reporting Period and up to the date of this annual report, the Directors participated in the following trainings:

	Attending seminars and/or conferences and/or forums relating to directors' duties or other relevant topics	Reading newspaper, journals and updates relating to the economy, general business or directors' duties etc
Executive Directors		
Mr. Fan Luyuan	✔	✔
Mr. Li Jie	✔	✔
Mr. Meng Jun	✔	✔
Non-Executive Directors		
Mr. Tung Pen Hung *(Appointed on May 15, 2023)*	N/A	N/A
Mr. Liu Zheng *(Resigned on May 15, 2023)*	✔	✔
Independent Non-Executive Directors		
Ms. Song Lixin	✔	✔
Mr. Tong Xiaomeng	✔	✔
Mr. Johnny Chen	✔	✔

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing corporate governance duties including:

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

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

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

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

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

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

ROLES OF CHAIRMAN AND CHIEF EXECUTIVE

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

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

CORPORATE GOVERNANCE REPORT

NOMINATION, APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

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

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

Below is the summary of the Director Nomination Policy:

Selection Criteria

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

Nomination Process

(a) Appointment of New Director

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

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

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

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

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

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

(b) Re-election of Director at General Meeting

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

The code provision B.2.2 of the CG Code requires all directors, including those appointed for a specific term, to be subject to retirement by rotation at least once every three years. The Company has fully complied with such code provision.

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

BOARD COMMITTEES

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

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

Remuneration Committee

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

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(Continued)*

Remuneration Committee *(Continued)*

The major roles and functions of the Remuneration Committee are:

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

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

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

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

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

The terms of reference of the Remuneration Committee are available on the websites of the Hong Kong Stock Exchange and the Company. The Remuneration Committee has adopted the model described in code provision B.1.2(c)(ii) (which has been re-numbered as E.1.2(c)(ii) since January 1, 2022) of the CG Code in its terms of reference.

The Remuneration Committee shall meet at least once a year. One Remuneration Committee meeting was held in the Reporting Period and the attendance of each member of the Remuneration Committee is set out as follows:

Committee members	**Number of Committee meetings attended/ eligible to attend**
Mr. Tong Xiaomeng *(Chairman)*	1/1
Mr. Fan Luyuan	1/1
Ms. Song Lixin	1/1

During the Reporting Period, the Remuneration Committee reviewed and recommended for the Board's approval (i) the existing policy and structure for the remuneration of Directors (including the executive Directors) and senior management; (ii) the remuneration packages (including share-based award) of the Directors (including the executive Directors) and senior management; and (iii) the proposed remuneration package of the newly appointed non-executive Director during the Reporting Period.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(Continued)*

Remuneration Committee *(Continued)*

The Remuneration Committee reviews and recommends to the Board for approval of the remuneration of the Directors (including the executive Directors), having regard to the Group's operating results, individual performance, time commitment and responsibilities, and comparable market remuneration packages for directors of listed issuers in Hong Kong. The remuneration packages for the Directors comprise directors' fees** and/or salaries, discretionary bonuses, share options or awarded shares that may be granted from time to time under the Company's share incentive schemes, contributory provident fund, social security fund, medical benefits and training.

** *The executive Directors and the non-executive Directors (other than the independent non-executive Directors) will not receive any Director's fees*

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

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

The remuneration payable to three members of the senior management of the Company by band for the Reporting Period is set out below:

Remuneration bands	**Senior management**
HK$500,000 – HK$1,000,000	1
HK$1,000,001 – HK$2,000,000	–
HK$2,000,001 – HK$2,500,000	1
HK$2,500,001 – HK$11,000,000	–
HK$11,000,001 – HK$11,500,000	1

The 2012 Share Option Scheme was adopted and approved by the Shareholders at the AGM held on June 11, 2012, and was terminated upon the adoption of the 2021 Share Option Scheme on September 6, 2021. Details of the 2021 Share Option Scheme are set out in the Directors' Report on pages 24 to 32 and Note 25 to the consolidated financial statements.

The Company's Share Award Scheme was adopted by the Board on December 30, 2016 and amended on March 29, 2019 and January 17, 2020, respectively. Details of the Share Award Scheme are set out in the Directors' Report on pages 32 to 38 and Note 25 to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(Continued)*

Remuneration Committee *(Continued)*

During the Reporting Period, the Remuneration Committee discussed and made recommendations on the grants of Awarded Shares under the Share award Scheme to, among other employees, the Directors and senior management. The vesting periods of such Awarded Shares were shorter than 12 months with no performance target attached, but subject to a clawback mechanism, whereby the Awarded Shares will be canceled upon the occurrence of certain circumstances including but not limited to termination of the grantee's employment or service by the Company for cause.

Having considered that the performance and contributions to the Group by the Directors and senior management, the Remuneration Committee and the Board considered that the grant of such Awarded Shares with a vesting period shorter than 12 months and no performance target attached (i) rewards and recognises the contribution of the Directors and senior management; and (ii) provides incentive to retain them for continual development of the Group.

Therefore, the Remuneration Committee considered that the grant was appropriate, aligned with the purpose of the Share Award Scheme and was in the interest of the Company and the Shareholders.

Audit Committee

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

The major roles and functions of the Audit Committee are:

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(Continued)*

Audit Committee *(Continued)*

The terms of reference of the Audit Committee are available on the websites of the Hong Kong Stock Exchange and the Company. The Audit Committee has adopted the model described in code provision C.3.3 (which has been re-numbered as D.3.3 since January 1, 2022) of the CG Code in its terms of reference.

The Audit Committee shall meet at least twice a year. Three Audit Committee meetings were held during the Reporting Period 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)*	3/3
Ms. Song Lixin	3/3
Mr. Tong Xiaomeng	3/3

During the Reporting Period, the Audit Committee performed the work summarized as below:

(i) reviewed and recommended for the Board's approval the scope and fees proposed by the external auditor in respect of the final audit for the year ended March 31, 2022 (the "2021/22 Final Audit") and the interim results review for the six months ended September 30, 2022 (the "2022/23 Interim Review");

(ii) reviewed the external auditor's report of findings, independent review report and audit completion report in relation to the 2021/22 Final Audit and the 2022/23 Interim Review;

(iii) reviewed and recommended for the Board's approval the Company's consolidated financial statements (the "Consolidated Financial Statements") for the year ended March 31, 2022 and for the six months ended September 30, 2022 together with the relevant management representation letters;

(iv) reviewed the effectiveness of the internal control and risk management systems as well as the internal audit function; and

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

The Audit Committee was of the opinion that the preparation of the Consolidated Financial Statements complied with the applicable accounting standards and requirements, and that adequate disclosures had been made. For details of the works relating to the risk management and internal control systems conducted by the Audit Committee, please refer to the "Accountability and Audit" section of this Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(Continued)*

Nomination Committee

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

The major roles and function of the Nomination Committee are:

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

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

(iii) to assess the independence of INEDs;

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

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

The terms of reference of the Nomination Committee are available on the websites of the Hong Kong Stock Exchange and the Company. The Nomination Committee has adopted the model described in code provision A.5.2 (which has been re-numbered as B.3.1 since January 1, 2022) of the CG Code in its terms of reference.

The Nomination Committee shall meet at least once a year. One Nomination Committee meeting was held during the Reporting Period and the attendance of each member of the Nomination Committee is set out as follows:

Committee members	**Number of Committee meetings attended/ eligible to attend**
Mr. Fan Luyuan *(Chairman)*	1/1
Mr. Tong Xiaomeng	1/1
Mr. Johnny Chen	1/1

For the Reporting Period, the Nomination Committee (i) reviewed the Director Nomination Policy and its implementation; (ii) reviewed the structure, size and composition of the Board; (iii) assessed candidate(s) for directorship on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities and put the nomination of such candidate(s) to the Board for decision; (iv) assessed the independence of all the INEDs; (v) reviewed and recommended for the Board's approval on re-election of the retiring Directors at the AGM; and (vi) considered and recommended for the Board's approval on the appointment of Mr. Liu Zheng as a non-executive Director.

For details of the Director Nomination Policy, please refer to the "NOMINATION, APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS" section of this Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(Continued)*

Executive Committee

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

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted its own code for securities transactions by the Directors and certain officers and employees of the Company or its subsidiaries who are considered to be likely in possession of unpublished inside information in relation to the Company or its securities, on terms not less exacting than the required standard set out in the Model Code.

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

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, 2023, 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.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(Continued)*

Financial Reporting *(Continued)*

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 111 to 124.

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

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

Risk Management and Internal Control

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

Objectives of Risk Management and Internal Control

The mechanism for risk management and internal control has been established to evaluate and determine the nature of and extent to which the Board is willing to take risks in achieving the Company's strategic objectives, and assist the Group in maintaining proper operations and achieving its performance, profitability goals and overall mission. The immediate aim of internal control is to help provide a reasonable level of assurance that the Group will meet agreed objectives and goals, which has a key role in achieving business objectives and managing significant risks. The management provides the Board with confirmation as to the effectiveness of relevant risk management and internal control systems, while the Board is responsible for overseeing the Company's risk management and internal control systems, as well as reviewing their effectiveness, all with an aim to safeguard Shareholders' investment and the Company's assets at all times.

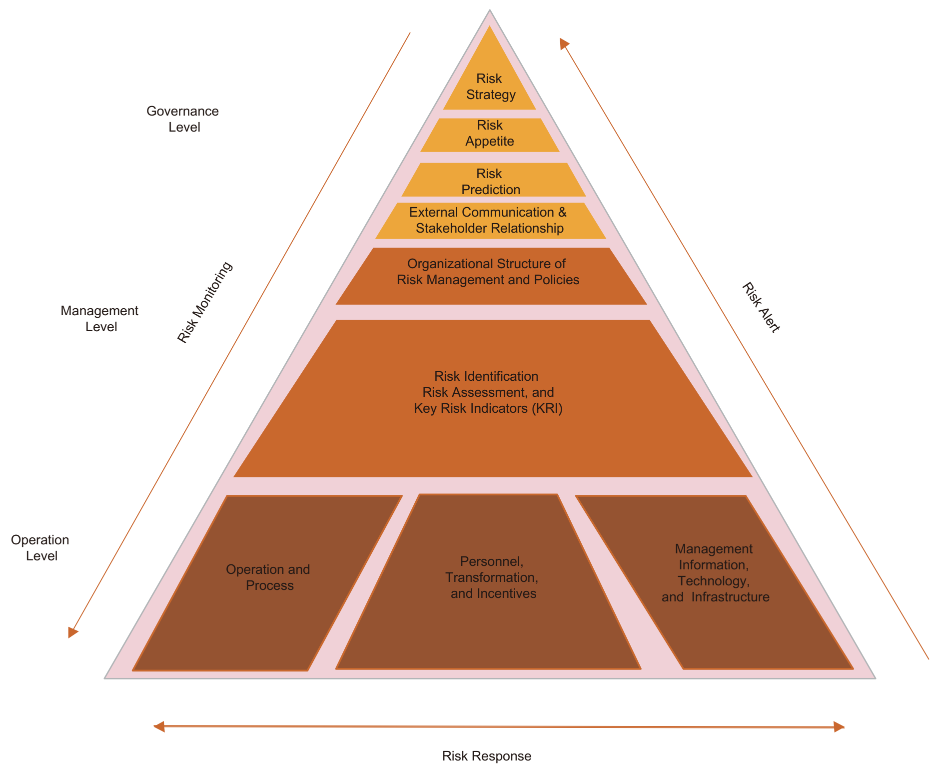
CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(Continued)*

Risk Management and Internal Control *(Continued)*

Objectives of Risk Management and Internal Control (Continued)

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



CORPORATE GOVERNANCE REPORT

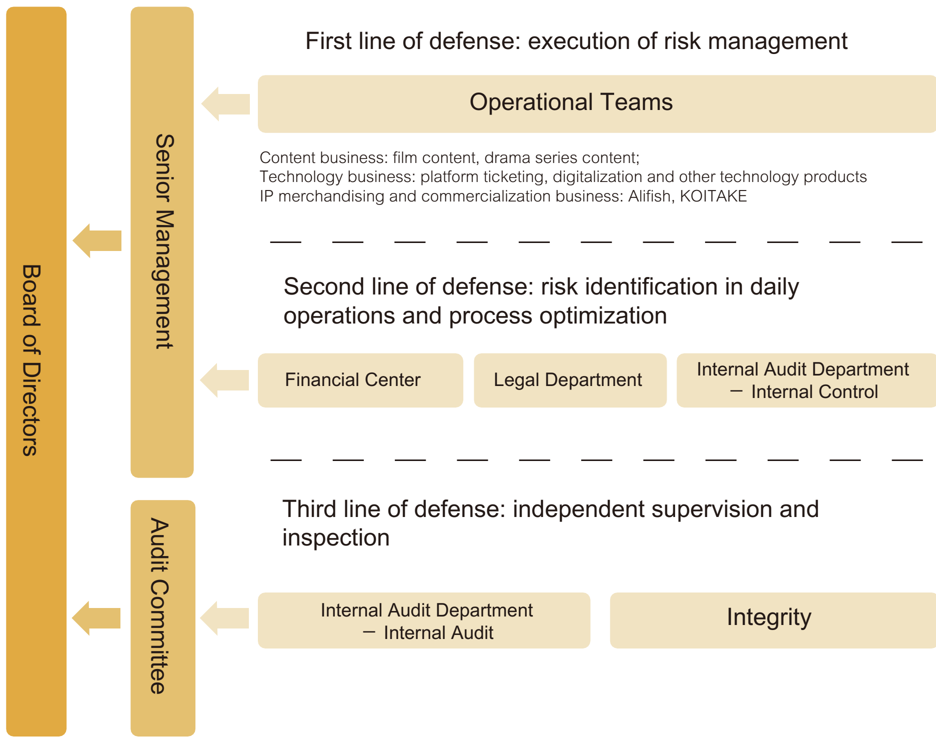
ACCOUNTABILITY AND AUDIT *(Continued)*

Risk Management and Internal Control *(Continued)*

Risk Appetite System

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

Organizational Structure of Risk Management and Illustration



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

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(Continued)*

Risk Management and Internal Control *(Continued)*

Three Lines of Defense for Risk Management

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

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

Third line of defense: Internal Audit Department – Internal Audit Team and Integrity Team
The independent supervision functions, as the third line of defense, are comprised of Internal Audit Department – Internal Audit Team and Integrity Team.

The Internal Audit Department – Internal Audit Team has been designated to perform independent supervision and independent internal audit. This team is responsible for evaluating the effectiveness of the Group's risk management processes and internal control system. The Integrity Team is responsible for conducting independent inspections on compliance and anti-fraud, and assessing the compliance of all employees of the Group with national laws and the Company's internal compliance management system in their commercial cooperation with external parties and performance of internal duties.

The Internal Audit Department is responsible for submitting regular audit plans and related reports on risk management and internal control to the Audit Committee for review. It is the responsibility of the Audit Committee to audit the annual audit plans and review relevant reports on risk management and internal control.

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

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

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(Continued)*

Risk Management and Internal Control *(Continued)*

Main Work of Risk Management and Internal Audit in the Year

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

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

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

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(Continued)*

Risk Management and Internal Control *(Continued)*

Management and Disclosure of Material Risks

During the Reporting Period, the Company further sorted out, screened and reprioritized the risks that its existing businesses and new businesses faced, and established targeted response strategies for various internal and external risks.

- Continuously sort out and improve the internal risk control map and carry out special governance actions for high-risk areas:

  The Company continuously sorts out and improves the risk control map for its core business areas based on business nature, decision-making mechanism, financial information and chains, etc., and constantly optimizes multiple mechanisms and processes related to evaluation and decision-making for businesses including content and derivatives. In addition, a number of special governance actions have been carried out for key businesses or high-risk areas. For example, in the special actions for procurement, the Company identifies problems through inspection of procurement in key business lines and seeks solutions to improve the mechanism. It also continuously optimizes its dynamic supplier evaluation system to provide a solid basis for subsequent procurement decisions and enhance the efficiency of procurement decisions. The above-mentioned chain risks, problems identification, residual risks after rectification, etc. have been continuously updated to the risk control map, and the Company's digitalization level in risk control and capabilities in risk management have been continuously promoted through ongoing optimization and iteration.

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

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(Continued)*

Risk Management and Internal Control *(Continued)*

Management and Disclosure of Material Risks *(Continued)*

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

Major External Risks	Description of Risks	Risk Responses
Emergency risks (market risks)	The film market in Mainland China was affected by the recurrence of the COVID-19 pandemic in the first half of the current financial year, but the industry saw gradual recovery as the state government continued to optimize pandemic prevention and control policies in the second half of the year.	**Collaborate with industry partners to support recovery of the film market** 1) The Company launches the Cloud Production live event management system for the industry's film and TV production projects, which effectively enables the production houses and the production crew to collaborate more efficiently and to control the filming quality on-site, thereby supporting the recovery of the industry from the production side. Meanwhile, the virtual shooting project launched by Cloud Production further promotes the digitalization, industrialization and standardization of the industry, enabling the industry to reduce costs and improve efficiency; 2) Yunzhi has created a set of digital operation and management platform for the cinema, with the three major sectors of Yunzhi Film, Yunzhi Data, and Yunzhi Mobile, and strives to link theater ticketing, theater operation, and cost reduction and efficiency improvement to create an overall solution for a smart new theater.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(Continued)*

Risk Management and Internal Control *(Continued)*

Management and Disclosure of Material Risks *(Continued)*

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

Major External Risks	Description of Risks	Risk Responses
		Expand sources of income and reduce expenditure while focusing on capital risk 1) The Company actively promotes independent settlement right or co-managed account mechanism, with a view to reducing the risk of payment collection; 2) The Company deepens its consideration of commercial interests, such as exit mechanism and early warning mechanism, in order to reduce investment risks; 3) The Company establishes a credit management mechanism for external partners, including black, white and gray lists, to reduce the risks of cooperation and payment collection.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(Continued)*

Risk Management and Internal Control *(Continued)*

Management and Disclosure of Material Risks *(Continued)*

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

Major External Risks	Description of Risks	Risk Responses
Industrial policy risks	The content could not be released as scheduled due to unforeseeable factors of supervision and review.	The Company closely monitors and stays updated on regulatory development by actively engaging in collaborative projects with governing and regulatory bodies. The Company adopts a stringent approach when selecting project themes, promotes positive and aspiring values, with a view to producing works with distinct themes that promote positive values.
	Inappropriate contents or badly behaved artists could easily trigger negative feelings and perceptions among consumers, and may result in the failure to release the film, thereby affecting the Company's brand image and even causing economic losses.	By continually optimizing content evaluation and decision-making mechanisms and adopting a "greenlight committee" policy, the Company conducts strict reviews on evaluation and decision-making to avoid cooperating with artists who have negative records. In the event that potential risks occur, the Company will rely on technical means as remedial measures to reduce negative impacts.
Legal and compliance risks	User data leakage triggers personal privacy protection risks and regulatory compliance risks	The Company implements and timely updates user information protection strategies in strict accordance with the requirements of regulatory authorities, including but not limited to permission settings, data disclosure, transmission among platforms, user agreements, etc.
	Damage to consumer rights may give rise to risks of public discontent and lead to regulatory penalties for the Company	By continually improving user experience (refunds and ticket changes, campaigns, etc.), the Company ensures compliance with the requirements of Consumer Councils and the State Administration for Market Regulation;
	Contents and copywriting which involve obscenity, rumor and defamation, illegality, etc. will trigger content compliance risks	The Company abides by regulatory requirements and enables quick handling through ongoing reviews and controls on contents such as videos, platform copywriting and comments.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(Continued)*

Risk Management and Internal Control *(Continued)*

Statement of the Board regarding the Internal Control Responsibility

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

External Auditor's Remuneration

During the Reporting Period, the remuneration paid/payable to the Company's external auditor, PwC, is set out as follows:

Services rendered for the Group	Fee paid/payable
Audit services (including annual audit and interim review)	RMB3,500,000
Non-audit services	–
Total	RMB3,500,000

Handling and Dissemination of Inside Information

The Company has in place a policy for the handling and disclosure of inside information in compliance with the SFO and the Listing Rules. The policy sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner so as to allow all the shareholders and stakeholders to assess the latest position of the Group.

Under the policy, if an employee is aware of any information which he/she thinks could potentially constitute inside information, the employee should consult his/her supervisor who should consider whether to report the matter to the chief financial officer or general counsel of the Company.

Directors regularly attend seminars and/or self-study materials on this subject matter to facilitate their understanding and compliance with the policy.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

From October 23, 2020 to June 30, 2022, Ms. Lew Aishan Nicole served as the Company's company secretary. With effect from June 30, 2023, Ms. Lew resigned as the company secretary of the Company in order to focus on the other business affairs of Alibaba Group, and the Company appointed Ms. Chun Ka Yan as the company secretary of the Company on the same day. Ms. Lew and Ms. Chun were not employees of the Company and Mr. Fan Luyuan, the chairman and chief executive officer of the Company, was the contact person at the Company whom Ms. Lew and Ms. Chun can contact.

The company secretary reports to the chairman of the Company and is responsible for advising the Board on governance matters, new director induction and professional development of the Directors as well as ensuring good information flow between the Board members and the compliance of the policies and procedures of the Board.

Both Ms. Lew and Ms. Chun have confirmed that they received relevant professional training of not less than 15 hours to update their skills and knowledge during the Reporting Period.

SHAREHOLDERS' RIGHTS

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

The Company held its AGM on August 22, 2022 (the "2022 AGM"). At the 2022 AGM, Mr. Fan Luyuan, the chairman of the Board and the chief executive officer of the Company, was present and available to answer any questions raised by the Shareholders. A separate resolution is proposed by the chairman of the Board on each substantial issue, including the election of individual Directors, to be considered at the general meetings.

The notice to the Shareholders is to be sent in case of an AGM at least 21 clear days before the meeting and to be sent at least 14 clear days in case of any other general meeting. An explanation of the detailed procedures for conducting a poll is provided to the Shareholders at the commencement of the meeting. The Chairman answers any questions from Shareholders regarding voting by way of a poll. The poll results are published in accordance with the requirements of the Listing Rules.

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

The implementation and effectiveness of the above-mentioned communication policy are reviewed by the Board on an annual basis. For the Reporting Period, the Board was of the view that such policy remained adequate and effective in that: (a) such policy has provided multiple channels of communications to cater for different preferences of the Shareholders or stakeholders, including the Company's official website to disseminate the latest information about the Group (e.g. financial results and reports, announcements and circulars) to the Shareholders or stakeholders, correspondence and email addresses for them to communicate in writing, as well as telephone number and physical general meetings for them to communicate directly and verbally; (b) the Chairman and Board committees, company secretary and/or other professional advisers (if any) present at general meetings are available to answer questions raised by the Shareholders; and (c) designated officers (i.e. investor relations department and the company secretary) of the Company will be responsible for responding promptly to the enquiries or views from the Shareholders or stakeholders.

CORPORATE GOVERNANCE REPORT

CONSTITUTIONAL DOCUMENTS

During the Reporting Period, the Bye-laws was amended:

1. to provide that the notice period for annual general meetings and special general meetings shall be not less than 21 clear days and 14 clear days, respectively;

2. to provide that any person appointed by the Directors to fill a casual vacancy on, or as an addition to, the Board shall hold office only until the first annual general meeting of the Company after his appointment, and shall then be eligible for re-election;

3. to provide that the Shareholders, at any general meeting, shall have the power by ordinary resolution to remove a Director (including a managing or other executive Director) before the expiration of his period of office;

4. to hold an AGM for each financial year and such AGM must be held within six months after the end of the Company's financial year;

5. to provide that all Shareholders shall have the right to (a) speak at a general meeting; and (b) (subject to any special rights or restrictions as to voting attached to any shares by or in accordance with the Bye-laws) vote at a general meeting except where a Shareholder is required by the Listing Rules, the applicable laws, rules, codes or regulations of any competent regulatory authority, to abstain from voting to approve the matter under consideration;

6. to provide that the right for Shareholders to speak at an electronic meeting or a hybrid meeting shall include the right to raise questions or make statements to the chairman of the meeting, verbally or in written form, by means of electronic facilities;

7. to provide that any one or more Shareholder(s) holding not less than one-tenth of the paid up capital of the Company shall have the right, by written requisition, to require a special general meeting to be called by the Board for the transaction of any business or resolution and add resolutions to the agenda to a general meeting;

8. to provide that a Shareholder who is a clearing house is entitled to appoint proxies and corporate representatives to attend any meeting and has the rights equivalent to the rights of other Shareholders, including the right to speak and vote;

9. to provide that the necessary quorum for general meetings (including adjourned meetings) to approve the variation of special rights attached to any Shares shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class;

10. to provide that the appointment and remuneration of auditors shall be approved by a simple majority of the Shareholders and the removal of auditors at any time before the expiration of his term of office shall be approved by a majority of not less than two thirds of votes cast by the Shareholders;

11. to provide that any notice or other document served or delivered by post shall be deemed to have been served or delivered on the day on which the envelope containing the same is put into the post;

CORPORATE GOVERNANCE REPORT

CONSTITUTIONAL DOCUMENTS *(Continued)*

12. to permit the signing of any resolutions in writing by the Directors, the members (or their alternates) of the committees of the Board by electronic signature and to provide flexibility to each of them to signify his agreement to, in place of signing, any resolutions in writing of the Board or a committee of the Board under certain specified procedures; and

13. to make other consequential and housekeeping changes.

The new Bye-laws was approved and adopted by the Shareholders at the 2022 AGM. The consolidated version of the memorandum and association and the Bye-laws of the Company is available on the websites of the Company and the Hong Kong Stock Exchange. Further details of the new Bye-laws was disclosed in the circular of the Company dated July 27, 2022.

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 Hong Kong Stock Exchange but about promoting and developing an ethical and healthy corporate culture. We will continue to review and, where appropriate, improve our current practices based on our experience, regulatory changes and developments. Any views and suggestions from our Shareholders to promote and improve our transparency are also welcome.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Alibaba Pictures Group Limited (the "Company") and its subsidiaries (together the "Group"), which are set out on pages 125 to 225, comprise:

- the consolidated balance sheet as of 31 March 2023;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of 31 March 2023, 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 the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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INDEPENDENT AUDITOR'S REPORT

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

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

- Goodwill impairment assessment
- Impairment assessment of film and TV rights
- Impairment assessment of investments accounted for using the equity method
- Expected credit losses assessment of trade receivables
- Fair value measurement of financial assets at fair value through profit or loss – unlisted investments

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Goodwill impairment assessment	
Refer to Note 4(a) to the consolidated financial statements – Critical accounting estimates and judgments and Note 15 – Goodwill and intangible assets. As of March 31, 2023, the carrying amount of the Group's goodwill is amounted to RMB3,551 million. The goodwill was allocated to several cash-generating units ("CGUs"). For the purpose of the annual impairment assessment of goodwill, management determined the recoverable amounts of all the Group's goodwill based on value in use ("VIU"), which is the present value of the future cash flows expected to be derived from the Group's CGUs. We focus on auditing the impairment of goodwill because the estimation of the recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of goodwill is considered significant due to the subjectivity of significant assumptions used including the long-term growth rate, the pre-tax discount rates, the forecasted revenue, gross margin, gross merchandise value ("GMV") and the ratio of market promotion expenses to GMV, and the significant amount of the related balance.	Our procedures on management's goodwill impairment assessment mainly included: • Assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • Understood and evaluated the internal controls relating to management's assessment on the impairment of goodwill; • Evaluated the outcome of prior year assessment of goodwill impairment to assess the effectiveness of management's estimation process; • Assessed the competency, capability and objectivity of the independent external valuer engaged by the Group for performing the similar impairment assessment projects by assessing its qualifications, relevant experience and relationship with the Group; • 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 long-term growth rate, by comparing them with the relevant economic and industry forecasts, including certain forecasts sourced from external parties; – the pre-tax discount rates, by comparing them with costs of capital of comparable companies; and – the forecasted revenue, gross margin, GMV 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 the forecasted revenue, we also compared to future market growth rate as forecasted and sourced from external parties.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Goodwill impairment assessment *(Continued)*	
	• Involved our internal valuation expert in assessing the appropriateness of certain significant assumptions used and the valuation methodology used; • Tested the mathematical accuracy of the calculations of the recoverable amounts of these CGUs; • Evaluated management's sensitivity calculation over the recoverable amounts of these CGUs. Focusing on those few key assumptions to which the calculation was most sensitive, we calculated the degree to which each of these key assumptions would need to change before an impairment conclusion was triggered and discussed the likelihood of such a movement with management; and • Assessed the adequacy of the disclosures related to goodwill impairment assessment in the context of HKFRSs. Based on the above, we considered that the significant judgments and estimates made by management were supportable by the evidence obtained and procedures performed.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of film and TV rights	
Refer to Note 4(b) to the consolidated financial statements – Critical accounting estimates and judgments and Note 19 – Film and TV rights and investments. As of March 31, 2023, the net book value of the Group's film and TV rights amounted to RMB1,791 million. An impairment loss of RMB58 million was recognized during the year ended March 31, 2023. Management exercised significant judgment in assessing the impairment of film and TV rights. In making such assessment, management considered all factors that may affect the future production plans and distribution plans, and exercised judgment in developing its expectation for the future net cash flows from these film and TV rights. We focus on auditing the impairment of film and TV rights because the estimation of the recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of film and TV rights is considered significant due to the subjectivity of significant assumptions used including the estimated revenue, the distribution costs and other cost information, and the significant amount of the related balance.	Regarding management's estimated future net cash inflows for impairment assessment of the film and TV rights, we performed the following procedures: • Assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • Understood and evaluated the design and operating effectiveness of the internal controls over the impairment assessment of film and TV rights; • Evaluated the historical accuracy of impairment assessment of film and TV copyrights to assess the effectiveness of management's estimation process by comparing the carrying amount in the prior period against the respective actual performance during the year, if any; • For film and TV rights which production has yet to be completed, we performed specific procedures, on a sample basis by: – examining the purchase contracts to check the validity of the purchased copyrights, discussed with the management to understand their future production plans and distribution plans and examined related production contracts, if any, to corroborate with these plans, which are the basis of future cash flow projections; and – inquiring with management about the major crew members and their background, experience and profile, and performed relevant search through external sources on media coverage on the related popularity of the original creators of the copyrights and the contents and topics of the film/TV dramas in production to corroborate with management's production and distribution plans.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of film and TV rights *(Continued)*	
	• For film and TV rights which production has been completed, we checked the existence of the distribution licenses for screening of the films and broadcasting of the TV dramas through public and official website of the National Radio and Television Administration; • Discussed with management to understand the basis of the estimated cash flow projections; • Evaluated the reasonableness of the estimated revenue, the distribution costs and other cost information prepared by management on a sample basis by: – examining the signed sales contracts of film and TV dramas, if any; and – comparing the estimated box office, the budgeted distribution and other costs of films or sales information of TV dramas with historical data of comparable films or TV dramas invested by the Group. • Tested the mathematical accuracy of the calculations of the estimated future net cash flows of films and TV rights on a sample basis; and • Assessed the adequacy of the disclosures related to film and TV rights impairment assessment in the context of HKFRSs. Based on the above, we considered that the significant judgments and estimates made by management were supportable by the evidence obtained and procedures performed.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of investments accounted for using the equity method	
Refer to Note 4(c) to the consolidated financial statements – Critical accounting estimates and judgments and Note 13 – Investments accounted for using the equity method. As of March 31, 2023, the net book value of the Group's investments accounted for using the equity method amounted to RMB1,827 million. An impairment loss of RMB128 million was recognized during the year ended March 31, 2023. Investments accounted for using the equity method were subject to impairment assessment when there was an indication of impairment. In carrying out the impairment assessment, significant judgments were required to estimate the recoverable amounts, which was the higher of its fair value less costs of disposals and its VIU. These judgments were exercised in making the assumptions, such as the long-term growth rate, the pre-tax discount rates, the forecasted revenue, gross margin, working capital turnover rates, the IPO probability and the expected volatility. We focus on auditing the impairment assessment of investments accounted for using the equity method because the estimation of the recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of investments accounted for using the equity method is considered significant due to the subjectivity of significant assumptions used, and the significant amount of the related balance.	Our procedures on the impairment assessment of the investments accounted for using the equity method mainly included: • Assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • Understood and evaluated the design and operating effectiveness of the internal controls over assessing the impairment of investments accounted for using the equity method; • Evaluated the outcome of prior year impairment assessment of investments accounted for using the equity method to assess the effectiveness of management's estimation process; • Involved our internal valuation expert in assessing the appropriateness of certain significant assumptions used and the valuation methodology used; • Evaluated the reasonableness of the key assumptions used by management in the determination of recoverable amounts of investments, mainly in relation to the long-term growth rate, by comparing it with the relevant economic forecasts; the pre-tax discount rates, by comparing the rates used by the Group to those of comparable companies; the forecasted revenue, gross margin and working capital turnover rates, by comparing them with actual historical financial data and market data; the IPO probability, by checking the consistency with the management understandings regarding the current business development of the investees and their IPO plans; and the expected volatility, by comparing the underlying volatilities to those of comparable companies;

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of investments accounted for using the equity method *(Continued)*	• Tested the mathematical accuracy of the calculations in the recoverable amounts of the investments; and • Assessed the adequacy of the disclosures related to impairment assessment of investments accounted for using the equity method in the context of HKFRSs. Based on the above, we considered that the significant judgments and estimates made by management were supportable by the evidence obtained and procedures performed.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Expected credit losses assessment of trade receivables	
Refer to Note 4(d) to the consolidated financial statements – Critical accounting estimates and judgments and Note 21 – Trade and other receivables, and prepayments. As of March 31, 2023, the net book value of the Group's trade receivables amounted to RMB1,454 million. Net reversal of loss allowances of RMB33 million were recognized during the year ended March 31, 2023. Allowance for impairment of trade receivables reflected management's best estimate to determine the expected credit losses. The estimate required significant management judgment in making assumptions about the risks and probabilities of defaults and the expected credit loss rates, which were based on historical credit losses and adjusted to reflect current and forward-looking information. For trade receivables that do not share same risk characteristics with others, management assessed their expected credit losses on an individual basis. For trade receivables that share same risk characteristics with others, management calculated the expected credit losses using the roll rate model. The model first grouped the customers based on their different risk characteristics, and then recalculated their respective historical credit loss information. The model further incorporated economic policies, macroeconomic conditions, industry risks and forward-looking adjustments to reflect management's forecasts of macroeconomic factors in different scenarios as this affects the customers' ability to settle the receivables. We focus on auditing the expected credit losses assessment of trade receivables because the estimation of the recoverable amount of trade receivables is subject to high degree of estimation uncertainty. The inherent risk in relation to the expected credit losses assessment of trade receivables is considered significant due to the complexity of the model, and the significant amount of the related balance.	Our procedures in relation to management's assessment on the expected credit losses of trade receivables mainly include: • Assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • Understood and evaluated the design and operating effectiveness of the internal control over assessing the expected credit losses of trade receivables; • Evaluated the outcome of prior period assessment of provision for loss allowances of trade receivables to assess the effectiveness of management's estimation process by comparing the expected credit losses in the prior year to the actual collection performance of debtors in the current year; • Assessed the reasonableness of methods and assumptions used and judgments made by management by (1) assessing the appropriateness of the expected credit loss provisioning methodology, (2) inquiring management regarding the credit worthiness of the customers, on a sample basis, (3) analyzing historical payment pattern of customers, on a sample basis, (4) checking the accuracy, on a sample basis, of the key data inputs such as the aging schedule of trade receivables, (5) testing the accuracy of the calculations of expected credit loss rates based on the historical loss and forward-looking information, and (6) evaluating the reasonableness of the forward-looking adjustments made by management; • Tested the mathematical accuracy of the calculation of the expected credit losses; and • We assessed the adequacy of the disclosures related to expected credit losses assessment of trade receivables in the context of HKFRSs. Based on the above, we considered that the significant judgments and estimates made by management were supportable by the evidence obtained and procedures performed.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Fair value measurement of financial assets at fair value through profit or loss – unlisted investments	
Refer to Note 4(e) to the consolidated financial statements – Critical accounting estimates and judgments and Note 3.3 – fair value estimation. As of March 31, 2023, the net book value of the Group's financial assets at fair value through profit or loss – unlisted investments amounted to RMB701 million. A fair value loss of RMB239 million was recognized during the year ended March 31, 2023. The unlisted investments were measured based on significant unobservable inputs and classified as "Level 3 financial instruments". Management engaged an external valuer to assist to determine the fair value of certain of these unlisted investments, based on the risk profile and significance of individual investment. The fair value determination of such investments required management to make judgments and estimates, including the forecasted revenues, the discount rates, the IPO probability, the expected volatility, etc. We focus on auditing the fair value measurement of financial assets at fair value through profit or loss – unlisted investments because the estimation of the fair value is subject to high degree of estimation uncertainty. The inherent risk in relation to the fair value assessment is considered significant due to subjectivity of significant assumptions used, and the significant amount of the related balance.	Our procedures on the fair value measurement of financial assets at fair value through profit or loss – unlisted investments mainly include: • Assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • Understood and evaluated the design and operating effectiveness of the internal controls over assessing the fair value measurement of financial assets at fair value through profit or loss – unlisted investments; • Assessed the competency, capability and objectivity of the independent external valuer engaged by the Group for performing the fair value valuation of the unlisted investments by assessing its qualifications, relevant experience and relationship with the Group; • Involved our internal valuation expert to discuss with management and the valuer and assess the appropriateness of valuation methodology and certain assumptions used; • Test the valuation of the unlisted investments as of March 31, 2023 by evaluating the reasonableness of the underlying assumptions, mainly in relation to the forecasted revenues, by comparing them with actual historical financial data and the future market growth rate as forecasted and sourced from external parties, if applicable; the discount rates, by comparing the rates used by the Group to those of comparable companies; the IPO probability, by checking the consistency with the management understandings regarding the current business development of the investees and their IPO plans; and the expected volatility, by comparing the underlying volatilities to those of comparable companies;

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Fair value measurement of financial assets at fair value through profit or loss – unlisted investments *(Continued)*	
	• Tested the accuracy of mathematical calculation applied in the valuation models; • Tested the accuracy of the mathematical calculation of the fair value changes on the unlisted investments for the year; and • Assessed the adequacy of the disclosures related to fair value measurement of financial assets at fair value through profit or loss – unlisted investments in the context of HKFRSs. Based on the above, we considered that the significant judgments and estimates made by management were supportable by the evidence obtained and procedures performed.

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.

INDEPENDENT AUDITOR'S REPORT

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.

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.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, May 31, 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	For the year ended March 31, 2023 RMB'000	2022 RMB'000
Revenue	5	**3,520,357**	3,652,170
Cost of sales and services	8	**(2,390,888)**	(2,157,025)
Gross profit		**1,129,469**	1,495,145
Selling and marketing expenses	8	**(348,666)**	(564,571)
Administrative expenses	8	**(768,440)**	(925,474)
Reversal of impairment losses/(impairment losses) on financial assets, net	3.1(b)	**56**	(176,150)
Other income	6	**48,989**	113,078
Other (losses)/gains, net	7	**(282,380)**	337,188
Operating (loss)/profit		**(220,972)**	279,216
Finance income	10	**117,114**	91,988
Finance expenses	10	**(8,403)**	(12,703)
Finance income, net		**108,711**	79,285
Share of loss of investments accounted for using the equity method	13	**(39,472)**	(10,749)
Impairment of investments accounted for using the equity method	13	**(127,589)**	(218,850)
(Loss)/profit before income tax		**(279,322)**	128,902
Income tax credit	11	**415**	25,413
(Loss)/profit for the year		**(278,907)**	154,315
(Loss)/profit attributable to:			
Owners of the Company		**(291,132)**	169,853
Non-controlling interests		**12,225**	(15,538)
(Loss)/earnings per share attributable to owners of the Company for the year *(expressed in RMB cents per share)*	12		
– Basic		**(1.09)**	0.64
– Diluted		**(1.09)**	0.64

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the year ended March 31, 2023 RMB'000	2022 RMB'000
(Loss)/profit for the year		**(278,907)**	154,315
Other comprehensive loss:			
Items that may be reclassified to profit or loss			
Share of other comprehensive (loss)/income of an associate	13	**(4,958)**	1,393
Currency translation differences attributable to owners of the Company		**151,657**	(79,691)
Items that may not be reclassified to profit or loss			
Currency translation differences attributable to non-controlling interests		**2,256**	(8,312)
Other comprehensive income/(loss) for the year, net of tax		**148,955**	(86,610)
Total comprehensive (loss)/income for the year		**(129,952)**	67,705
Attributable to:			
– Owners of the Company		**(144,433)**	91,555
– Non-controlling interests		**14,481**	(23,850)
Total comprehensive (loss)/income for the year		**(129,952)**	67,705

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

CONSOLIDATED BALANCE SHEET

	Note	As of March 31, 2023 RMB'000	2022 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	14	**17,517**	23,352
Investment property	17	**20,238**	21,400
Goodwill	15	**3,551,116**	3,551,116
Intangible assets	15	**99,750**	113,676
Right-of-use assets	16	**115,509**	148,043
Deferred income tax assets	28	**14,003**	13,401
Investments accounted for using the equity method	13	**1,827,249**	1,723,173
Film and TV rights and investments	19	**141,375**	204,067
Bank deposits with the maturity over one year	23	**300,880**	–
Financial assets at fair value through profit or loss	18	**760,321**	1,317,685
Trade and other receivables, and prepayments	21	**222,111**	598,989
		7,070,069	7,714,902
Current assets			
Inventories	22	**38,744**	17,831
Film and TV rights and investments	19	**1,834,661**	1,740,729
Trade and other receivables, and prepayments	21	**2,706,499**	2,546,345
Cash and cash equivalents	23	**3,919,526**	3,538,214
Restricted cash	23	**2,139**	18,677
		8,501,569	7,861,796
Total assets		**15,571,638**	15,576,698
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	28	**48,373**	49,302
Lease liabilities	16	**118,566**	137,231
		166,939	186,533

CONSOLIDATED BALANCE SHEET

	Note	As of March 31, **2023** RMB'000	2022 RMB'000
Current liabilities			
Trade and other payables, and accrued charges	27	**1,083,571**	1,119,921
Contract liabilities	5	**170,405**	186,345
Current tax liabilities		**261**	883
Borrowings		**–**	9,375
Lease liabilities	16	**27,201**	30,639
Financial liabilities at fair value through profit or loss		**13,050**	–
		1,294,488	1,347,163
Total liabilities		**1,461,427**	1,533,696
Equity			
Equity attributable to owners of the Company			
Share capital	24	**5,452,976**	5,452,976
Reserves	26	**8,616,859**	8,564,131
		14,069,835	14,017,107
Non-controlling interests		**40,376**	25,895
Total equity		**14,110,211**	14,043,002
Total equity and liabilities		**15,571,638**	15,576,698

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

The financial statements on pages 125 to 225 were approved by the Board of Directors on May 31, 2023 and were signed on its behalf by:

Fan Luyuan
Executive Director & Chairman

Meng Jun
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital RMB'000	Share premium RMB'000	Shares held for share award scheme RMB'000	Other reserve RMB'000	Shareholder's contribution reserve RMB'000	Translation reserve RMB'000	Share-based compensation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
		Attributable to owners of the Company										
For the year ended March 31, 2022												
As of April 1, 2021		5,424,523	13,371,892	(264,317)	(1,071,288)	48,527	(170,587)	321,788	(3,874,217)	13,786,321	51,617	13,837,938
Profit for the year		–	–	–	–	–	–	–	169,853	169,853	(15,538)	154,315
Other comprehensive loss for the year		–	–	–	–	–	(78,298)	–	–	(78,298)	(8,312)	(86,610)
Total comprehensive income for the year		–	–	–	–	–	(78,298)	–	169,853	91,555	(23,850)	67,705
Share of other reserves of investments accounted for using the equity method	13	–	–	–	268	–	–	–	–	268	–	268
Exercise of share options under share option scheme	24	382	1,973	–	–	–	–	(794)	–	1,561	–	1,561
Issuance of shares under share award scheme		28,071	49,406	(77,477)	–	–	–	–	–	–	–	–
Shares purchased for share award scheme		–	–	(9,489)	–	–	–	–	–	(9,489)	–	(9,489)
Shares vested under share award scheme		–	–	117,526	–	–	–	(117,526)	–	–	–	–
Value of employee services provided under share option scheme and share award scheme	25	–	–	–	–	–	–	146,891	–	146,891	–	146,891
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	(1,872)	(1,872)
As of March 31, 2022		5,452,976	13,423,271	(233,757)	(1,071,020)	48,527	(248,885)	350,359	(3,704,364)	14,017,107	25,895	14,043,002

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company										
	Note	Share capital RMB'000	Share premium RMB'000	Shares held for share award scheme RMB'000	Other reserve RMB'000	Shareholder's contribution reserve RMB'000	Translation reserve RMB'000	Share-based compensation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
For the year ended March 31, 2023												
As of April 1, 2022		5,452,976	13,423,271	(233,757)	(1,071,020)	48,527	(248,885)	350,359	(3,704,364)	14,017,107	25,895	14,043,002
Loss for the year		-	-	-	-	-	-	-	(291,132)	(291,132)	12,225	(278,907)
Other comprehensive income for the year		-	-	-	-	-	146,699	-	-	146,699	2,256	148,955
Total comprehensive loss for the year		-	-	-	-	-	146,699	-	(291,132)	(144,433)	14,481	(129,952)
Share of other reserves of investments accounted for using the equity method	13	-	-	-	1,481	-	-	-	-	1,481	-	1,481
Shares purchased for share award scheme		-	-	(4,473)	-	-	-	-	-	(4,473)	-	(4,473)
Shares vested under share award scheme		-	-	29,339	-	-	-	(29,339)	-	-	-	-
Value of employee services provided under share option scheme and share award scheme	25	-	-	-	-	-	-	136,385	-	136,385	-	136,385
Value of employee services provided in relation to share-based payment transactions with ultimate parent	25	-	-	-	-	-	-	67,818	-	67,818	-	67,818
Value of share-based compensation allocated to ultimate parent	25	-	-	-	(10,216)	-	-	10,216	-	-	-	-
Settlement of share-based compensation cost with ultimate parent		-	-	-	(4,050)	-	-	-	-	(4,050)	-	(4,050)
As of March 31, 2023		5,452,976	13,423,271	(208,891)	(1,083,805)	48,527	(102,186)	535,439	(3,995,496)	14,069,835	40,376	14,110,211

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, 2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operating activities	30(a)	**582,102**	(509,330)
Income tax (paid)/refund		**(1,738)**	11,696
Net cash inflow/(outflow) from operating activities		**580,364**	(497,634)
Cash flows from investing activities:			
Principal received on investments in structured deposits		**1,200,000**	–
Interest received		**109,566**	72,113
Amount received in relation to the restructuring of an associate		**38,883**	–
Principal received on investments in wealth management products		**13,500**	15,000
Investment interest received on structured deposits		**8,700**	–
Proceeds from derecognition of unlisted investments		**2,053**	9,349
Proceeds from disposal of property, plant and equipment		**1,354**	3,797
Investment interest received on investments in wealth management products		**63**	75
Proceeds from disposal of an associate		**–**	138,744
Dividends from financial assets at fair value through profit or loss		**–**	59,890
Net cash outflow from disposal of subsidiaries		**–**	(166)
Purchases of structured deposits		**(1,200,000)**	–
Payment for bank deposits with the maturity over one year		**(300,000)**	–
Loans granted to third parties		**(79,170)**	–
Purchases of wealth management products		**(13,500)**	(8,000)
Purchases of property, plant and equipment and investment property		**(9,573)**	(15,362)
Payment of acquisition of a subsidiary		**(3,000)**	(3,000)
Capital injection in equity investments		**(1,375)**	(9,250)
Purchase of intangible assets		**(285)**	(1,173)
Net cash (outflow)/inflow from investing activities		**(232,784)**	262,017

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the year ended March 31, 2023 RMB'000	2022 RMB'000
Cash flows from financing activities:			
Exercise of share options under share option scheme		**–**	1,561
Dividends paid to non-controlling interests		**–**	(1,872)
Principal and interests elements of lease payments		**(31,950)**	(48,886)
Repayment of borrowings		**(9,375)**	(20,625)
Shares purchased for share award scheme		**(4,473)**	(9,489)
Payment of share-based compensation cost with ultimate parent		**(2,508)**	–
Interest paid		**(15)**	(1,150)
Net cash outflow from financing activities		**(48,321)**	(80,461)
Net increase/(decrease) in cash and cash equivalents		**299,259**	(316,078)
Cash and cash equivalents at beginning of the year		**3,538,214**	3,897,802
Exchange effect on cash and cash equivalents		**82,053**	(43,510)
Cash and cash equivalents at end of the year		**3,919,526**	3,538,214

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", each, a "Group Entity") form an integrated platform with content and technology as the core, covering content production, promotion and distribution, IP merchandising licensing and commercial management, cinema ticketing management and Internet data services for the entertainment industry.

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

The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). As of March 31, 2023, the Company is approximately 50.0007% owned by Ali CV Investment Holding Limited ("Ali CV"). Ali CV is a wholly-owned subsidiary of Alibaba Investment Limited ("AIL") which is in turn wholly-owned by Alibaba Group Holding Limited ("Alibaba Holding").

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(a) New and amended standards adopted by the Group

The Group has adopted the following new standards, amendments to standards and interpretations which are mandatory for the financial year beginning on April 1, 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to HKAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to HKAS 37
- Annual Improvements to HKFRS Standards 2018–2020
- Reference to the Conceptual Framework – Amendments to HKFRS 3, and
- Amendments to AG 5 Merger Accounting for Common Control Combinations

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

(b) New standards and amendments not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for March 31, 2023 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Subsidiaries

2.2.1 Consolidation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation *(Continued)*

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

(a) Control over subsidiaries arising from contractual arrangements

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

– exercise effective financial and operational control over the OPCOs;

– exercise equity holders' voting rights of the OPCOs;

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation (Continued)

(b) Business combinations

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation (Continued)

(b) *Business combinations (Continued)*

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

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

2.2.2 Separate financial statements

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

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

2.3 Associates and joint arrangements

(a) Associates

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Associates and joint arrangements *(Continued)*

(b) Joint arrangements

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

(c) Equity method

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

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Associates and joint arrangements *(Continued)*

(d) Changes in ownership interests

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

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Foreign currency translation *(Continued)*

(c) Group companies

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

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

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

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

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

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

2.6 Property, plant and equipment

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Property, plant and equipment *(Continued)*

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

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

2.7 Investment property

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

2.8 Intangible assets

(a) Goodwill

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Intangible assets *(Continued)*

(b) Licences

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

Licences for production and distribution of television drama series, television programs and films in the PRC have indefinite useful lives. The renewal of these licences are subject to the approval of the relevant bureau. In the opinion of the Directors of the Company, the renewal of these licences will continue to be approved with minimal costs and accordingly, they are deemed to have indefinite lives. These intangible assets will not be amortized until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired (Note 2.9).

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

(c) Contractual customer relationships

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

(d) Other intangible assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Impairment of non-financial assets

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

2.10 Financial assets

Classification

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

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

- those to be measured at amortized cost.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Financial assets *(Continued)*

Recognition and derecognition

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

Measurement

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

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

Debts instruments

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Financial assets *(Continued)*

Equity instruments

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

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

Impairment

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

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

2.11 Offsetting financial instruments

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

2.12 Inventories

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Film and TV rights and investments

(a) Film and TV rights

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

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

For the film and TV rights treated as inventory, they are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. An impairment loss is recognized as cost of sales and services in the consolidated statement of profit or loss for the amount by which cost exceeds its net realizable value.

(b) Film and TV investments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Film deposits

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

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

2.15 Trade receivables

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

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

2.16 Cash and cash equivalents

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

2.17 Share capital and shares held for share award scheme

Share capital is classified as equity.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Trade payables

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

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

2.19 Borrowings

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

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

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

2.20 Borrowing costs

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Current and deferred income tax *(Continued)*

(c) Offsetting

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

2.22 Employee benefits

(a) Pension obligations

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

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

(b) Termination benefits

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

(c) Bonus plans

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Share-based payments

Equity-settled share-based payment transactions

(a) Share Option Scheme

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Share-based payments *(Continued)*

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

(b) Share Award Scheme

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

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

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

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

2.24 Provision

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Revenue recognition

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

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

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

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)*

2.25 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, sale of cinema admission tickets, artist management services, and sales of pop toys.

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.26 Interest income

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

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

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

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

2.27 Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

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

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

2.28 Dividend income

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.29 Lease

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

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

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

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

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

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.29 Lease *(Continued)*

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

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

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

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

2.30 Government grants

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

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

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

2.31 Dividend distribution

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

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

(a) Market risk

(i) Foreign exchange risk

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

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities that are in a currency other than the functional currency of the group entities. The Group did not enter into any forward contract to hedge its exposure to foreign currency risk for the years ended March 31, 2023 and 2022.

As of March 31, 2023 and 2022, the carrying amounts of the Group's monetary assets and liabilities that are denominated in currency other than the functional currency of the respective group entities are as follows:

	March 31, 2023		March 31, 2022	
	HK dollar	**US dollar**	HK dollar	US dollar
	RMB'000	**RMB'000**	RMB'000	RMB'000
Cash and bank balances	**10,794**	**941,874**	9,834	859,521
Trade and other receivables	**809**	**140,834**	705	167,608
Trade and other payables	**3,924**	**2,871**	4,219	1,112

For the year ended March 31, 2023, if RMB had weakened/strengthened by 5% (2022: 5%) with all other variables held constant, pre-tax loss would have been RMB54,376,000 lower/higher (2022: pre-tax profit would have been RMB51,617,000 higher/lower).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

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

(ii) *Fair value interest rate risk*

The Group's interest rate risk arises from interest bearing assets and liabilities, mainly including loan receivables. Management considered that any reasonable changes in the interest rates would not result in a significant change in the Group's results.

(iii) *Price risk*

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

(b) ***Credit risk***

(i) *Risk management*

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

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

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

For the year ended March 31, 2023, the Group had no significant concentrations of credit risk except that two individual customers (both related parties of the Group) accounted for 10% or more of the Group's total trade receivables respectively. The Group's concentration of credit risk by geographical location is in the PRC, which accounted for 98.75% of the total trade receivables as of March 31, 2023.

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

Trade receivables

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

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

(ii) Impairment of financial assets (Continued)

Trade receivables *(Continued)*

	Lifetime expected credit loss rate	Gross carrying amount RMB'000	Lifetime expected credit loss RMB'000	Net carrying amount RMB'000
As of March 31, 2023				
Receivables of technology				
Provision on individual basis	94.04%	285	(268)	17
Provision on collective basis	4.88%	211,070	(10,309)	200,761
Receivables of content				
Provision on individual basis	69.47%	108,911	(75,663)	33,248
Provision on collective basis	2.35%	1,202,026	(28,276)	1,173,750
Receivable of IP merchandising and commercialization				
Provision on individual basis	0.00%	–	–	–
Provision on collective basis	1.47%	47,175	(695)	46,480
		1,569,467	(115,211)	1,454,256

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

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

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

Trade receivables *(Continued)*

	Lifetime expected credit loss rate	Gross carrying amount RMB'000	Lifetime expected credit loss RMB'000	Net carrying amount RMB'000
As of March 31, 2022				
Receivables of technology				
Provision on individual basis	49.87%	1,177	(587)	590
Provision on collective basis	11.30%	152,672	(17,254)	135,418
Receivables of content				
Provision on individual basis	96.57%	113,663	(109,767)	3,896
Provision on collective basis	1.27%	1,503,017	(19,085)	1,483,932
Receivable of IP merchandising and commercialization				
Provision on individual basis	0.00%	–	–	–
Provision on collective basis	1.79%	51,830	(928)	50,902
		1,822,359	(147,621)	1,674,738

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

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

(ii) Impairment of financial assets (Continued)

Trade receivables *(Continued)*

The loss allowance for trade receivables recognized during the year ended March 31, 2023 is as follows:

	For the year ended March 31, 2023 RMB'000
Opening balance	**147,621**
Increase in loss allowance during the year	**4,151**
Written off as uncollectible	**(4,133)**
Reversal of previous impairment losses	**(32,520)**
Currency translation differences	**92**
Closing balance	**115,211**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

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

(ii) Impairment of financial assets (Continued)

Other receivables

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

The loss allowance for other receivables recognized during the year ended March 31, 2023 is as follows:

	For the year ended March 31, 2023 RMB'000
Opening balance	**501,744**
Increase in loss allowance during the year	**53,293**
Written off as uncollectible	**(91,013)**
Reversal of previous impairment losses	**(24,980)**
Currency translation differences	**1,157**
Closing balance	**440,201**

Net impairment losses on financial assets recognized in profit or loss

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

	For the year ended March 31,	
	2023	2022
	RMB'000	RMB'000
Impairment losses on trade receivables	**(4,151)**	(100,112)
Impairment losses on other receivables	**(53,293)**	(104,214)
Reversal of previous impairment losses	**57,500**	28,176
Net reversal of/(provision for) impairment loss on financial assets	**56**	(176,150)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

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

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

(c) Liquidity risk

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

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Contractual maturities of financial liabilities at March 31, 2023						
Trade and other payables (excluding non- financial liabilities)	846,573	–	–	–	846,573	846,573
Lease liabilities	36,594	25,219	50,663	83,706	196,182	145,767
	883,167	25,219	50,663	83,706	1,042,755	992,340

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Contractual maturities of financial liabilities at March 31, 2022						
Trade and other payables (excluding non-financial liabilities)	958,253	–	–	–	958,253	958,253
Borrowings	9,443	–	–	–	9,443	9,375
Lease liabilities	42,051	27,391	58,953	100,692	229,087	167,870
	1,009,747	27,391	58,953	100,692	1,196,783	1,135,498

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 of March 31, 2023 and 2022, the Group's gearing ratio was nil as its cash and cash equivalents exceeded its total borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as of March 31, 2023 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

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

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

The following table presents the Group's assets that are measured at fair value at March 31, 2023.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss (current)				
Film and TV Investments, at fair value (current)	–	–	43,568	43,568
Financial assets at fair value through profit or loss (non-current)				
Unlisted investments	–	–	700,927	700,927
Listed investment	59,394	–	–	59,394
Film and TV Investments, at fair value (non-current)	–	–	141,375	141,375
Total	59,394	–	885,870	945,264

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Liabilities				
Financial liabilities at fair value through profit or loss (current)				
Film investments from business partners	**–**	**–**	**13,050**	**13,050**

The following table presents the Group's assets that are measured at fair value at March 31, 2022.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss (current)				
Film and TV Investments, at fair value (current)	–	–	13,000	13,000
Financial assets at fair value through profit or loss (non-current)				
Unlisted investments	–	–	1,272,547	1,272,547
Listed investment	–	45,138	–	45,138
Film and TV Investments, at fair value (non-current)	–	–	204,067	204,067
Total	–	45,138	1,489,614	1,534,752

Financial instruments in level 3

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

Financial instruments in level 3 *(Continued)*

The following table presents the changes in level 3 instruments for the years ended March 31, 2023 and 2022.

	For the year ended March 31,	
	2023	2022
	RMB'000	RMB'000
Investments in wealth management products		
Opening balance	**–**	7,000
Acquisitions	**13,500**	–
Disposals	**(13,563)**	(7,075)
Change in fair value (Note 7 and 18)	**63**	75
Closing balance	**–**	–

	For the year ended March 31,	
	2023	2022
	RMB'000	RMB'000
Structured deposits		
Opening balance	**–**	–
Acquisitions	**1,200,000**	–
Disposals	**(1,208,700)**	–
Change in fair value (Note 7 and 18)	**8,700**	–
Closing balance	**–**	–

	For the year ended March 31,	
	2023	2022
	RMB'000	RMB'000
Film and TV investments, at fair value		
Opening balance	**217,067**	305,426
Change in investment amount, net	**–**	13,000
Change in fair value (Note 7 and 19)	**73,787**	79,192
Derecognition	**(109,407)**	(178,414)
Currency translation differences	**3,496**	(2,137)
Closing balance	**184,943**	217,067

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

Financial instruments in level 3 *(Continued)*

The film and TV investments, at fair value, are the film and TV investments that do not meet solely payments of principal and interest condition.

The film and TV investments, at fair value, are primarily valued based on the discounted cash flows method using the expected rate of return of 4.75% based on the management estimates and are within level 3 of the fair value hierarchy.

If the fair values of the film and TV investments held by the Group had been 10% higher/lower as of March 31, 2023, pre-tax loss for the year ended March 31, 2023 would have been RMB18,494,000 lower/higher (2022: pre-tax profit would have been RMB21,707,000 higher/lower).

The following table presents the changes in level 3 instruments for the years ended March 31, 2023 and 2022.

	For the year ended March 31,	
	2023	2022
	RMB'000	RMB'000
Unlisted investments		
Opening balance	**1,272,547**	1,131,683
Change in fair value (Note 7 and 18)	**(239,316)**	320,587
Transfer to level 2 financial instruments	**–**	(166,953)
Transfer to investments accounted for using the equity method (Note 13)	**(380,996)**	–
Derecognition	**(2,053)**	(9,349)
Currency translation differences	**50,745**	(3,421)
Closing balance	**700,927**	1,272,547

On January 19, 2023, YH Entertainment Group was successfully listed on the Hong Kong Stock Exchange. The Group converted the redeemable instruments into ordinary shares. Accordingly, the Group transferred the investment from FVTPL to investments accounted for using the equity method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

Financial instruments in level 3 *(Continued)*

For unlisted investments, as these investment are not traded in an active market, their fair values are determined by using valuation techniques and are within level 3 of the fair value hierarchy. The Group has engaged an independent external valuers for performing the fair value valuation. Unlisted investments are primarily valued based on the available transaction price of the latest round of financing of the investees. Where such information is not available, other valuation techniques are used, such as the discounted cash flow method or market approach. The estimated fair values were based on assumptions, such as the forecasted revenue, discount rates, IPO probability, expected volatility, etc.

If the fair values of the unlisted investments held by the Group had been 10% higher/lower as of March 31, 2023, pre-tax loss for the year ended March 31, 2023 would have been RMB70,093,000 lower/higher (2022: pre-tax profit would have been RMB127,255,000 higher/lower).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.9. The recoverable amounts of CGUs are determined based on VIU, which require the use of estimates and valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Based on management's assessment (Note 15), there was no impairment on goodwill charged to administrative expenses during the year ended March 31, 2023 (2022: Nil).

(b) Estimated impairment of film and TV rights

At the end of the reporting period, management of the Company assesses the impairment on film and TV rights classified as intangible asset with reference to its recoverable amount. The assessment is made on a film-by-film basis. The recoverable amount of the film and TV rights is determined based on VIU/net realizable value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

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

If the recoverable amount is lower than the carrying amount, the carrying amount of the film and TV rights will be written down to its recoverable amount. The Group's estimation of impairment provision of film and TV rights reflects management's best estimate of future cash flows expected to be generated from film and TV rights.

For the film and TV rights treated as inventory, management of the Company assesses the impairment with reference to its cost and net realizable value at the end of the reporting period. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The Group's estimation of impairment provision for film and TV rights involves significant management judgment based on the consideration of key factors such as estimated future selling prices and selling expenses of the respective film and TV rights.

Based on management's assessment on the recoverability of film and TV rights (Note 19), an impairment on film and TV rights of RMB58,052,000 was charged to cost of sales and services during the year ended March 31, 2023 (2022: RMB53,974,000).

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

The Group assesses whether there is any indicator of impairment for interests in associates and joint ventures at the end of each reporting period in accordance with the accounting policies stated in Note 2.9. Investments accounted for using the equity method are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of investments accounted for using the equity method exceeds its recoverable amount, which is determined based on VIU calculations. These calculations require the use of estimates.

Based on management's assessment (Note 13), an impairment of RMB127,589,000 was charged to impairment of investments accounted for using the equity method during the year ended March 31, 2023 (2022: RMB218,850,000).

(d) Loss allowances for trade and other receivables

The loss allowances for trade and other receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.1(b).

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

The fair value determination of such financial assets for which there is no observable market price requires the use of valuation techniques. The inputs to the valuation models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Details of the key assumptions and inputs used are disclosed in Note 3.3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION

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

The Board of Directors of the Company considers the business from perspective of types of goods or services delivered or provided. During the year ended March 31, 2023, the Group's operating and reportable segments are as follows:

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

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

- IP merchandising and commercialization: backed by the Group's licensing and marketing capabilities, the Group could integrate resources within or outside the Alibaba Ecosystem to provide comprehensive distribution channels connecting with both corporate customers and individual consumers ("IP2B2C").

The Group 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, 2023			
	Content RMB'000	Technology RMB'000	IP merchandising and commercialization RMB'000	Total RMB'000
Segment revenue				
– recognized at a point in time	1,507,776	516,902	543,517	2,568,195
– recognized over time	201,525	740,353	–	941,878
	1,709,301	1,257,255	543,517	3,510,073
Income from film and TV investments	–	10,284	–	10,284
Total segment revenue	1,709,301	1,267,539	543,517	3,520,357
Including: revenue recognized that was included in the contract liabilities balance at the beginning of the year	98,277	44,271	8,319	150,867

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

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

Segment revenue and results

	For the year ended March 31, 2023			
	Content RMB'000	**Technology RMB'000**	**IP merchandising and commercialization RMB'000**	**Total RMB'000**
Segment revenue	**1,709,301**	**1,267,539**	**543,517**	**3,520,357**
Segment results	**281,603**	**344,951**	**156,273**	**782,827**
Unallocated selling and marketing expenses				**(2,024)**
Administrative expenses				**(768,440)**
Reversal of Impairment losses on financial assets, net				**56**
Other income				**48,989**
Other losses, net				**(282,380)**
Finance income				**117,114**
Finance expenses				**(8,403)**
Share of loss of investments accounted for using the equity method				**(39,472)**
Impairment of investments accounted for using the equity method				**(127,589)**
Loss before income tax				**(279,322)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

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

During the years ended March 31, 2023 and 2022, all of the segment revenue reported above was from external customers and there were no inter-segment sales.

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

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

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

As of March 31, 2023, the Group's non-current assets, other than financial instruments and deferred income tax assets, were located in the Mainland of the PRC, the USA and Hong Kong amounting to RMB3,804,051,000, RMB5,000 and RMB74,000, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended March 31, 2023, approximately 18% and 11% of the total revenues of the Group were derived from two external customers (2022: approximately 22% of the total revenues of the Group were derived from one single external customer). Other than these customers, no other customer contributed 10% or more of the Group's revenue during the years ended March 31, 2023 and 2022.

Contract liabilities

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

	For the year ended March 31,	
	2023	2022
	RMB'000	RMB'000
Deferred revenue		
Technology	**88,371**	79,734
IP merchandising and commercialization	**73,378**	8,319
Content	**8,656**	98,292
	170,405	186,345

Contract liabilities are presented in advance from customers, which are the Group's obligations 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. As of March 31, 2023, the total contract liabilities amounted to RMB170,405,000 (2022: RMB186,345,000), which will be recognized as revenue within one year.

6 OTHER INCOME

	For the year ended March 31,	
	2023	2022
	RMB'000	RMB'000
Interest income on loan receivables	**28,952**	28,239
Additional deduction of input VAT	**14,071**	12,066
Local government grants	**1,764**	4,898
Refund of service fee for withholding IIT	**1,526**	4,215
Sundry income	**2,676**	3,770
Dividend income	**–**	59,890
	48,989	113,078

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 OTHER (LOSSES)/GAINS, NET

	For the year ended March 31,	
	2023	2022
	RMB'000	RMB'000
Change in fair value of film and TV investments, at fair value (Note 3.3 and 19)	**73,787**	79,192
Net gains on disposal of film and TV investments	**14,310**	9,460
Change in fair value of listed investment (Note 18)	**14,064**	(121,012)
Change in fair value of structured deposits (Note 3.3 and 18)	**8,700**	–
Change in fair value of investment in wealth management products (Note 3.3 and 18)	**63**	75
Net loss on disposal of property, plant and Equipment	**(1,988)**	(565)
Compensation fee	**(18,744)**	–
Loss on dilution of investments accounted for using the equity method	**(130,976)**	–
Change in fair value of unlisted investments (Note 3.3 and 18)	**(239,316)**	320,587
Gain on disposal of subsidiaries	**–**	27,236
Gain on disposal of an associate	**–**	16,844
Trade and other payables written off	**–**	6,670
Others	**(2,280)**	(1,299)
	(282,380)	337,188

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 EXPENSE BY NATURE

	For the year ended March 31,	
	2023	2022
	RMB'000	RMB'000
Film and TV copyrights recognized as cost of sales and services (Note 19)	**1,375,990**	1,542,116
Employee benefit expenses (Note 9)	**859,951**	648,683
Cost of inventories, cinema ticketing and intellectual property licenses and other services recognized as cost of sales and services	**633,809**	543,990
Marketing and promotion expenses	**348,666**	564,571
Technology service fees	**82,691**	55,859
Payment processing and other service fees	**58,113**	75,676
Depreciation of right-of-use assets (Note 16)	**32,309**	41,395
Amortization of intangible assets (Note 15)	**14,211**	13,958
Travel and entertainment fees	**12,314**	21,829
Depreciation of property, plant and equipment (Note 14)	**12,066**	41,280
Rental expense for short-term and low-value leases (Note 16)	**1,226**	660
SMS platform service and customer service support fees	**893**	8,595
Impairment loss on property, plant and equipment (Note 14)	**–**	7,607
Auditor's remunerations		
– Audit services	**3,500**	4,000
Others	**72,255**	76,851
Total cost of sales and services, selling and marketing expenses and administrative expenses	**3,507,994**	3,647,070

Note:

The amount of 'Film and TV copyrights recognized as cost of sales and services' included an impairment loss on film and TV rights of RMB58,052,000 for the year ended March 31, 2023 (2022: RMB53,974,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 EMPLOYEE BENEFIT EXPENSES

	For the year ended March 31,	
	2023	2022
	RMB'000	RMB'000
Wages and salaries	**519,487**	394,717
Share-based payment under share option scheme and share award scheme (Note 25)	**136,385**	146,891
Share-based payment transactions with ultimate parent (Note 25)	**67,818**	–
Social security costs and housing fund (Note a)	**129,262**	98,910
Termination benefits	**6,999**	8,165
	859,951	648,683

Notes:

(a) All of the Group's full-time employees in the PRC participate in a state-sponsored defined contribution pension plan. The Group is required to make monthly defined contributions to this plan at a rate of 14%–16% (2022: 14%–16%) of the employees' basic salaries subject to a cap determined by the state on an annual basis.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

There was no forfeited contribution utilized to offset employers' contributions for the year ended March 31, 2023 (2022: nil). There was no forfeited contribution available to reduce the contribution payable in the future years as of March 31, 2023 (2022: nil).

During the year ended March 31, 2023, the Group made total contributions to the retirement benefits schemes of RMB54,313,000 (2022: RMB39,512,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 EMPLOYEE BENEFIT EXPENSES *(Continued)*

Notes: *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended March 31, 2023 include 1 (2022: 1) director whose emoluments are reflected in the analysis shown in Note 35. The emoluments payable to the remaining 4 (2022: 4) individuals during the year ended March 31, 2023 are as follows:

	For the year ended March 31,	
	2023	2022
	RMB'000	RMB'000
Salaries, share options, other allowances and benefits in kind	**16,779**	19,652
Discretionary bonuses	**10,630**	3,161
Contributions to the retirement scheme	**251**	180
	27,660	22,993

The emoluments fell within the following bands:

	For the year ended March 31,	
	2023	2022
Emolument bands (in HK dollar)		
HK$5,000,001 to HK$5,500,000	**2**	1
HK$5,500,001 to HK$6,000,000	**–**	1
HK$6,000,001 to HK$6,500,000	**1**	–
HK$7,000,001 to HK$7,500,000	**–**	1
HK$9,000,001 to HK$9,500,000	**–**	1
HK$14,500,001 to HK$15,000,000	**1**	–
	4	4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 FINANCIAL INCOME AND EXPENSES

	For the year ended March 31,	
	2023	2022
	RMB'000	RMB'000
Finance income		
– Interest income on bank deposits	**101,662**	73,276
– Exchange gain, net	**15,452**	18,712
	117,114	91,988
Finance expenses		
– Interest expenses on lease liabilities (Note 16)	**(8,388)**	(11,553)
– Interest expenses on bank borrowings	**(15)**	(1,150)
	(8,403)	(12,703)
Finance income, net	**108,711**	79,285

11 INCOME TAX CREDIT

	For the year ended March 31,	
	2023	2022
	RMB'000	RMB'000
Current income tax (expense)/credit	**(1,116)**	10,110
Deferred income tax credit (Note 28)	**1,531**	15,303
	415	25,413

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INCOME TAX CREDIT *(Continued)*

The tax on the Group's (loss)/profit 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,	
	2023	2022
	RMB'000	RMB'000
(Loss)/profit before income tax	**(279,322)**	128,902
Tax calculated at a tax rate of 25% (2022: 25%)	**(69,831)**	32,226
Tax effects of:		
– Effect of different tax rates of subsidiaries	**46,034**	(67,895)
– Associates' and joint ventures' results reported net of tax	**42,757**	2,687
– Income not subject to tax	**(3,308)**	(5,740)
– Additional deduction in relation to research and development costs	**(2,987)**	(2,041)
– Expenses not deductible for tax purposes	**7,315**	3,005
– Refund of income tax from previous years	**(840)**	(11,996)
– Utilization of previously unrecognized tax losses	**(231,273)**	(154,345)
– Temporary differences and tax losses for which no deferred income tax asset was recognized	**211,718**	178,686
Tax credit	**(415)**	(25,413)

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

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

Provision for the PRC enterprise income tax is calculated based on the statutory tax rate of 25% (The year ended March 31, 2022: 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 year ended March 31, 2022: 15%) under the relevant PRC tax rules and regulations; and (2) one subsidiary of the Company, incorporated in Horgos, Xinjiang Province, is exempted from income taxes from the first year of generating revenue before December 31, 2030 and the exemption period is five years according to the relevant PRC tax rules and regulations; and (3) certain subsidiaries of the Company are small low-profit enterprises, followed by a reduced tax rate of 20% (The year ended March 31, 2022: 20%).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 (LOSS)/EARNINGS PER SHARE

	For the year ended March 31, 2023	2022
Basic and diluted (loss)/earnings per share (RMB cents)	**(1.09)**	0.64

(a) Basic

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

	For the year ended March 31, 2023	2022
(Loss)/profit attributable to owners of the Company (RMB'000)	**(291,132)**	169,853
Weighted average number of ordinary shares in issue less shares held for share award scheme (thousands)	**26,790,977**	26,614,256

(b) Diluted

Diluted earnings or loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential dilutive ordinary shares. The Company had two categories of potential ordinary shares during the years ended March 31, 2023 and 2022, which are share options and unvested awarded shares.

The computation of diluted loss per share for the year ended March 31, 2023 did not assume the issuance of any dilutive potential ordinary share since they were antidilutive, which would decrease the loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	For the year ended March 31,	
	2023	2022
	RMB'000	RMB'000
At beginning of the year	**1,723,173**	2,075,319
Additions	**1,375**	9,250
Transfers (Note 3.3)	**380,996**	–
Disposal of investment in an associate	**–**	(121,900)
Share of loss of investments (Note a)	**(39,472)**	(18,673)
(Loss)/gain on dilution of interest in associates (Note b)	**(130,976)**	7,924
Share of other comprehensive income of an associate	**(4,958)**	1,393
Share of changes of other reserves of an associate	**1,481**	268
Impairment (Note c)	**(127,589)**	(218,850)
Currency translation differences	**23,219**	(11,558)
At end of the year	**1,827,249**	1,723,173

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

The financial year end date of the Group is March 31, which is different from those of the associates and joint ventures of the Group. The financial information of certain of the Group's associates and joint ventures as of March 31, 2023 and 2022 are not available. As a result, the Group records its share of profit or loss of investments accounted for using the equity method for those associates and joint ventures on one quarter in arrear basis for the years ended March 31, 2023 and 2022.

Bona Film Group Co., Limited ("Bona Film") was listed on Shenzhen Stock Exchange on August 18, 2022 and could provide its financial statements as of March 31, 2023 before the results announcement of the Group. The Group ceases to take advantage of the non-coterminous period end provision for this investment upon its listing and included the attributable share of profit or loss of this investment based on its financial statements drawn up to a coterminous period end with the Group from this consolidated financial statements for the year ended March 31, 2023.

Hence, the Group records its shares of profit or loss of this investment for the fifteen months ended March 31, 2023 in this consolidated financial statements of the Group for the year ended March 31, 2023 including the loss of RMB7,510,000 in the consolidated statement of profit or loss and a loss of RMB4,958,000 in the consolidated statement of comprehensive income, respectively, for the year ended March 31, 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(b) The amount represented the dilution loss on the Group's investments in Bona Film and Wuhan Two Ten Culture Communication Limited Company ("Wuhan Two Ten").

The dilution loss on the Group's investment in Bona Film was recognized upon the listing of this investment on August 18, 2022. The Group's interests in Bona Film was diluted from 7.72% to 6.18% after Bona Film listed on Shenzhen Stock Exchange. The difference between (1) the decrease in the carrying value of the Group's interest in Bona Film resulting from the decrease in percentage of shareholding and (2) the Group's share of the proceeds received for the new shares issued resulted in a dilution loss of RMB130,933,000 and was recognized in the consolidated statement of profit or loss for the year ended March 31, 2023.

As of March 31, 2022, the Group's interests in Wuhan Two Ten was 18%. During the year ended March 31, 2023, Wuhan Two Ten issued new shares to certain investors. Consequently, the Group's interests in Wuhan Two Ten was diluted from 18% to 17.79%. The difference between (1) the decrease in the carrying value of the Group's interest in Wuhan Two Ten resulting from the decrease in percentage of shareholding and (2) the Group's share of the proceeds received for the new shares issued resulted in a dilution loss of RMB43,000 and was recognized in the consolidated statement of profit or loss for the year ended March 31, 2023.

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

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

Based on the assessment results, the Group recognized an impairment loss of RMB127,589,000 (2022: RMB218,850,000) for the investments accounted for using the equity method of the Group for year ended March 31, 2023.

In respect of the recoverable amount determined with reference to the value in use assessment result, the estimated cash flows used in the assessments were based on assumptions, such as pre-tax discount rates, long-term growth rates, forecasted revenue, gross margin and working capital turnover rates, with reference to the business plans and prevailing market conditions. In respect of the recoverable amount determined with reference to the fair value less costs of disposals assessment result, the estimated fair values were based on assumptions, such as the forecasted revenue, IPO probability and expected volatility.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(d) The Directors of the Company are of the view that none of the Group's associates or joint ventures was individually material to the Group as of March 31, 2023.

As of March 31, 2023, the aggregate carrying amounts of individually immaterial associates and joint ventures were RMB1,773,865,000 and RMB53,384,000, respectively (2022: RMB1,651,112,000 and RMB72,061,000).

During the year ended March 31, 2023, the aggregate amounts of the Group's share of loss from continuing operations of individually immaterial associates and joint ventures were RMB32,370,000 and RMB7,102,000, respectively (2022: RMB11,929,000 and RMB6,744,000).

Nature of investment in associates and joint ventures as of March 31, 2023 and 2022:

Name of entity	**Place of business/ region of incorporation**	**% of ownership interest As of March 31, 2023**	**% of ownership interest As of March 31,** 2022
Associates:			
Hainan Alibaba Pictures Investment Management Limited 海南阿里巴巴影業投資管理有限公司	The PRC	**40.00%**	40.00%
Shanghai Movie & Media Co., Ltd. 上海影視傳媒股份有限公司	The PRC	**5.00%***	5.00%*
Hainan Alibaba Pictures Entertainment Industry Investment Fund (LLP) 海南阿里巴巴影業文化產業基金合夥企業(有限合夥)	The PRC	**24.987%**	24.987%
Bona Film Group Limited 博納影業集團股份有限公司	The PRC	**6.18%***	7.72%*
Shanghai Zhuying Investment Management Consulting Limited 上海築影投資管理諮詢有限公司	The PRC	**7.53%***	7.53%*
Shanghai Mingjian Limited 上海鳴澗影業有限公司	The PRC	**6.25%***	6.25%*
Showtime Analytics Limited	Ireland	**10.60%***	10.60%*
Storyteller Holding Co., LLC	USA	**5%***	5%*

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 of March 31, 2023**	**2022**
HeHe (Shanghai) Film Limited 禾和(上海)影業有限公司	The PRC	**30.00%**	30.00%
Wuhan Two Ten Culture Communication Limited 武漢兩點十分文化傳播有限公司	The PRC	**17.79%***	18.00%*
Wave Film Culture Development (Qinhuangdao) Co., Ltd. 海浪電影文化發展(秦皇島)有限公司	The PRC	**22.50%**	–
YH Entertainment Group 樂華娛樂集團	The PRC	**12.26%***	14.25%
Joint ventures:			
Beijing Yunshangwenxin Culture Media Co., Ltd. 北京雲尚文心文化傳媒有限公司	The PRC	**51.00%****	51.00%**
Shanghai Shengtian Movie & Media Co., Ltd. 上海晟天影視傳媒有限公司	The PRC	**60.00%****	60.00%**
Sparkling Fish (Suzhou) Technology Co., Ltd. 閃閃魚(蘇州)科技有限公司	The PRC	**43.75%**	43.75%
Oriental Wenyun (Beijing) Culture Technology Co. Ltd. 東方文韻(北京)文化科技有限公司	The PRC	**40.00%**	40.00%
Kunshan Digital Dream Workshop Film and Television Culture Industry Co., Ltd. 昆山數字夢工廠影視文化產業有限公司	The PRC	**35.00%**	–

* *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	Total RMB'000
For the year ended March 31, 2022				
Opening net book amount	52,809	9,304	–	62,113
Additions	9,431	4,766	1,165	15,362
Disposals	–	(4,060)	(302)	(4,362)
Disposal of subsidiaries	(751)	(123)	–	(874)
Depreciation charge	(39,092)	(2,044)	(144)	(41,280)
Impairment	(7,607)	–	–	(7,607)
Closing net book amount	14,790	7,843	719	23,352
At March 31, 2022				
Cost	173,850	141,296	3,828	318,974
Accumulated depreciation	(126,118)	(131,893)	(3,109)	(261,120)
Impairment	(32,942)	(1,560)	–	(34,502)
Net book amount	14,790	7,843	719	23,352
For the year ended March 31, 2023				
Opening net book amount	**14,790**	**7,843**	**719**	**23,352**
Additions	**2,401**	**6,736**	**436**	**9,573**
Disposals	**(2,194)**	**(1,148)**	**–**	**(3,342)**
Depreciation charge	**(7,372)**	**(4,441)**	**(253)**	**(12,066)**
Closing net book amount	**7,625**	**8,990**	**902**	**17,517**
At March 31, 2023				
Cost	**171,440**	**143,459**	**4,264**	**319,163**
Accumulated depreciation	**(130,873)**	**(132,909)**	**(3,362)**	**(267,144)**
Impairment	**(32,942)**	**(1,560)**	**–**	**(34,502)**
Net book amount	**7,625**	**8,990**	**902**	**17,517**

Note:

During the year ended March 31, 2023, depreciation charge of RMB12,066,000 (2022: RMB41,280,000) has been charged to 'Administrative expenses' and no depreciation charge (2022: nil) was charged to 'Selling and marketing expense'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 GOODWILL AND INTANGIBLE ASSETS

	Goodwill	Film and television programme production and distribution license	Operating license of the ticketing system	Customer relationship	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended March 31, 2022						
Opening net book amount	3,551,116	7,808	99,611	12,030	7,012	3,677,577
Additions	–	–	–	–	1,173	1,173
Amortization charge	–	–	(10,867)	(1,775)	(1,316)	(13,958)
Closing net book amount	3,551,116	7,808	88,744	10,255	6,869	3,664,792
At March 31, 2022						
Cost	3,607,047	7,808	163,000	34,300	18,828	3,830,983
Accumulated amortization and impairment	(55,931)	–	(74,256)	(24,045)	(11,959)	(166,191)
Net book amount	3,551,116	7,808	88,744	10,255	6,869	3,664,792
For the year ended March 31, 2023						
Opening net book amount	**3,551,116**	**7,808**	**88,744**	**10,255**	**6,869**	**3,664,792**
Additions	**–**	**–**	**–**	**–**	**285**	**285**
Amortization charge	**–**	**–**	**(10,867)**	**(1,775)**	**(1,569)**	**(14,211)**
Closing net book amount	**3,551,116**	**7,808**	**77,877**	**8,480**	**5,585**	**3,650,866**
At March 31, 2023						
Cost	**3,607,047**	**7,808**	**163,000**	**34,300**	**19,113**	**3,831,268**
Accumulated amortization and impairment	**(55,931)**	**–**	**(85,123)**	**(25,820)**	**(13,528)**	**(180,402)**
Net book amount	**3,551,116**	**7,808**	**77,877**	**8,480**	**5,585**	**3,650,866**

During the year ended March 31, 2023, amortization charge of RMB14,211,000 (2022: RMB13,958,000) was charged to 'Administrative expenses'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 GOODWILL AND INTANGIBLE ASSETS *(Continued)*

For the purpose of impairment testing, goodwill and intangible assets with indefinite useful life have been allocated to several CGUs which are grouped in three segments, including several subsidiaries in the content segment, the technology segment and IP merchandising and commercialization segment. The following is a summary of goodwill and intangible assets with indefinite useful life allocation for each operating and reportable segment:

	As of March 31, 2023 RMB'000
Goodwill	
– Technology	**2,837,458**
– Content	**463,751**
– IP merchandising and commercialization	**249,907**
Intangible assets with indefinite useful life	
– Content	**7,808**
	3,558,924

	As of March 31, 2022 RMB'000
Goodwill	
– Technology	2,837,458
– Content	463,751
– IP merchandising and commercialization	249,907
Intangible assets with indefinite useful life	
– Content	7,808
	3,558,924

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 GOODWILL AND INTANGIBLE ASSETS *(Continued)*

Impairment review on the goodwill and intangible assets with indefinite useful life of the Group was conducted by management as of March 31, 2023 according to HKAS 36 "Impairment of assets". For the purposes of impairment review, the recoverable amount of the CGUs is determined based on VIU.

The VIU calculations use cash flows projections based on financial budget prepared by management covering a five-year period. Major underlying assumptions adopted as of March 31, 2023 are summarized below:

	Technology	Content	IP merchandising and commercialization
Pre-tax discount rates	**23.6%~25.8%**	**24.8%~26.3%**	**26.1%**
Long-term growth rate	**2.5%**	**2.5%**	**2.5%**

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

Based on above assessment, during the year ended March 31, 2023, no impairment was recognized for the goodwill (2022: nil).

16 LEASE

(a) Amounts recognized in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As of March 31, 2023 RMB'000	As of March 31, 2022 RMB'000
Right-of-use assets		
Buildings	**115,016**	144,869
Equipment	**493**	3,174
	115,509	148,043
Lease liabilities		
– Current	**27,201**	30,639
– Non-current	**118,566**	137,231
	145,767	167,870

Additions to the right-of-use assets for the year ended March 31, 2023 were RMB9,763,000 (2022: RMB28,557,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 LEASE *(Continued)*

(b) Amounts recognized in the statement of profit or loss

	For the year ended March 31,	
	2023	2022
	RMB'000	RMB'000
Depreciation charge of right-of-use assets (Note 8)	**32,309**	41,395
Interest expense on lease liabilities (Note 10)	**8,388**	11,553
Rental expense for short-term and low-value leases (Note 8)	**1,226**	660

The total cash outflow for leases for the year ended March 31, 2023 was RMB33,176,000 (2022: RMB49,546,000).

(c) The Group's leasing activities and how these are accounted for

The Group leases various operating properties, equipment and offices. Rental contracts are typically made for fixed periods of 2 to 20 years.

17 INVESTMENT PROPERTY

	For the year ended March 31,	
	2023	2022
	RMB'000	RMB'000
Opening net book amount	**21,400**	22,562
Depreciation charge	**(1,162)**	(1,162)
Closing net book amount	**20,238**	21,400
Cost	**23,240**	23,240
Accumulated depreciation	**(3,002)**	(1,840)
Net book amount	**20,238**	21,400

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

The Group classifies the following financial assets at fair value through profit or loss:

- debt investments that do not qualify for measurement at either amortized cost or FVOCI, and

- equity investments for which the entity has not elected to recognize fair value gains and losses through OCI.

Financial assets measured at FVTPL include the following:

	As of March 31,	
	2023	2022
	RMB'000	RMB'000
Non-current assets		
Unlisted investments	**700,927**	1,272,547
Listed investment	**59,394**	45,138
	760,321	1,317,685

(b) Amounts recognized in profit or loss

During the year, the following (losses)/gains were recognized in the consolidated statements of profit or loss:

	For the year ended March 31,	
	2023	2022
	RMB'000	RMB'000
Fair value gain on investments in wealth management products (Note 3.3 and 7)	**63**	75
Fair value gains on structured deposits (Note 3.3 and 7)	**8,700**	–
Fair value (loss)/gain on unlisted investments (Note 3.3 and 7)	**(239,316)**	320,587
Fair value gain/(loss) on listed investment (Note 7)	**14,064**	(121,012)

(c) Risk exposure and fair value measurements

Information about the Group's exposure to price risk is provided in Note 3.1. For information about the methods and assumptions used in determining fair value please refer to Note 3.3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 FILM AND TV RIGHTS AND INVESTMENTS

	As of March 31,	
	2023	2022
	RMB'000	RMB'000
Film and TV rights		
– Production completed	**131,774**	88,766
– Production yet to be completed	**1,659,319**	1,638,963
	1,791,093	1,727,729
Film and TV investments, at fair value		
– Current	**43,568**	13,000
– Non-current	**141,375**	204,067
	184,943	217,067
	1,976,036	1,944,796

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Movements of film and TV rights and investments are as below:

	Film and TV rights RMB'000	Film and TV investments, at fair value RMB'000	Total RMB'000
For the year ended March 31, 2022			
Opening net book amount	1,221,485	305,426	1,526,911
Additions	2,135,101	13,000	2,148,101
Recognized as an expense included in cost of sales and services	(1,488,142)	–	(1,488,142)
Change in fair value of film and TV investments	–	79,192	79,192
Impairment loss	(53,974)	–	(53,974)
Refund of investment	(1,415)	–	(1,415)
Disposal	(81,952)	–	(81,952)
Derecognition	–	(178,414)	(178,414)
Currency translation differences	(3,374)	(2,137)	(5,511)
Closing net book amount	1,727,729	217,067	1,944,796
For the year ended March 31, 2023			
Opening net book amount	**1,727,729**	**217,067**	**1,944,796**
Additions	**1,648,184**	**–**	**1,648,184**
Recognized as an expense included in cost of sales and services	**(1,317,938)**	**–**	**(1,317,938)**
Change in fair value of film and TV investments	**–**	**73,787**	**73,787**
Impairment loss	**(58,052)**	**–**	**(58,052)**
Refund of investment	**(2,863)**	**–**	**(2,863)**
Disposal	**(207,756)**	**–**	**(207,756)**
Derecognition	**–**	**(109,407)**	**(109,407)**
Currency translation differences	**1,789**	**3,496**	**5,285**
Closing net book amount	**1,791,093**	**184,943**	**1,976,036**

During the year ended March 31, 2023, management of the Group considered the expected future income of certain film and TV copyrights could not recover the respective carrying amounts and an impairment charge of RMB58,052,000 (2022: RMB53,974,000) was recognized as cost of sales and services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	As of March 31,	
	2023	2022
	RMB'000	RMB'000
Financial assets		
Financial assets at amortized cost		
– Trade receivables (Note 21)	**1,454,256**	1,674,738
– Other receivables (excluding non-financial assets)	**1,212,541**	1,240,048
– Cash and cash equivalents (Note 23)	**3,919,526**	3,538,214
– Restricted cash (Note 23)	**2,139**	18,677
– Bank deposits with the maturity over one year (Note 23)	**300,880**	–
Film and TV investments, at fair value (Note 19)	**184,943**	217,067
Financial assets at fair value through profit or loss (Note 18)	**760,321**	1,317,685
	7,834,606	8,006,429
Financial liabilities		
Financial liabilities at amortized cost		
– Borrowings	**–**	9,375
– Trade and other payables (excluding non-financial liabilities)	**846,573**	958,253
– Lease liabilities (Note 16)	**145,767**	167,870
Financial liabilities at fair value through profit or loss	**13,050**	–
	1,005,390	1,135,498

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 TRADE AND OTHER RECEIVABLES, AND PREPAYMENTS

	As of March 31, 2023			As of March 31, 2022		
	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))	942,431	–	942,431	1,170,109	–	1,170,109
– Third parties	627,036	–	627,036	652,250	–	652,250
Less: allowance for impairment of trade receivables (Note 3.1)	(115,211)	–	(115,211)	(147,621)	–	(147,621)
Trade receivables – net	1,454,256	–	1,454,256	1,674,738	–	1,674,738
Prepaid film deposits (Note b)	–	49,796	49,796	10,000	38,500	48,500
Other prepayments	73,551	–	73,551	83,922	–	83,922
Other receivables arising from (Note c):						
– Receivables from related parties (Note 32(b))	61,549	–	61,549	63,383	–	63,383
– Loan receivables (Note d)	768,319	147,960	916,279	126,769	700,000	826,769
– Receivables in relation to other film and TV investments	344,420	–	344,420	368,865	–	368,865
– Receivables in respect of reimbursement of distribution expenses	155,206	–	155,206	213,919	–	213,919
– Deductible VAT input	138,466	–	138,466	98,126	–	98,126
– Interest income receivables	31,975	–	31,975	80,328	–	80,328
– Deposits receivables	12,398	–	12,398	17,436	–	17,436
– Refund receivable in relation to the restructuring of an associate	–	–	–	38,883	–	38,883
– Others	106,560	24,355	130,915	111,720	20,489	132,209
Less: allowance for impairment of prepayments and other receivables (Note 3.1)	(440,201)	–	(440,201)	(341,744)	(160,000)	(501,744)
Other receivables and prepayments – net	1,252,243	222,111	1,474,354	871,607	598,989	1,470,596
Total trade and other receivables, and prepayments	2,706,499	222,111	2,928,610	2,546,345	598,989	3,145,334

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Notes:

(a) Trade receivables

The normal credit period granted to the debtors of the Group is generally within 1 year. Before accepting any new debtor, the Group assesses the potential debtor's credit quality and defines credit limits by debtor. Credit limits granted to debtors are reviewed regularly.

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

	As of March 31,	
	2023	2022
	RMB'000	RMB'000
0 – 90 days	**697,032**	891,276
91 – 180 days	**67,150**	243,470
181 – 365 days	**140,693**	143,960
Over 365 days	**664,592**	543,653
	1,569,467	1,822,359

Information about the impairment of trade receivables and the Group's exposure to credit risk and foreign currency risk can be found in Note 3.1.

(b) Prepaid film deposits

These prepaid film deposits as of March 31, 2023 represented the prepayments made by the Group to Mr. Wong Kar Wai pursuant to film rights purchase agreement, Mr Xu Hong Yu and Mr Zhang Yi Bai pursuant to their respective film cooperation agreements, and Ruyi Films pursuant to film rights investment agreement.

(c) Other receivables

These balances generally arose from transactions surrounding the operating activities of the Group. The non-current other receivables are due for repayment within 1 to 2 years from the balance sheet date.

Note 3.1 sets out information about the impairment of other receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk.

The loan receivable due from Skillgreat Limited is denominated in US$ as mentioned below in Note d, which is different from the functional currency and has foreign currency risk. Except that, all of other receivables are denominated in the functional currency of the Group's subsidiaries. As a result, there is no significant exposure to foreign currency risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Notes: *(Continued)*

(d) Loan receivables

In February 2019, the Group lent RMB700,000,000 to Huayi Brothers Media Corporation ("Huayi Brothers"), a third party independent of the Company and its connected persons, which bears an interest rate at the People's Bank of China 5-year base lending rate with a maturity of 5 years. The loan receivable is secured by pledge of equity interest in a subsidiary of Huayi Brothers, rights to receive investment return under a fund invested by Huayi Brothers, certain properties held by two major shareholders of Huayi Brothers, as well as unlimited joint and several guarantees provided by two major shareholders of Huayi Brothers. As of March 31, 2023, the loan receivable was reclassified to current assets.

During the year ended March 31, 2020, one of the pledged assets was changed from rights to receive investment return under a fund invested by Huayi Brothers to a property held by Huayi Brothers.

In October 2019, the Group lent US$19,512,000 to Skillgreat Limited, a third party independent of the Company and its connected persons, which bears an interest at 3% per annum with a maturity of 3 years. The loan receivable is secured by pledge of certain properties held by the related parties of Skillgreat Limited. In October 2022, the Group agreed to defer the settlement period for US$7,437,000 and US$12,075,000 to October 2023 and October 2025 respectively. Therefore, the amount of US$12,075,000 was treated as non-current assets as of March 31, 2023.

In December 2022, the Group lent RMB64,170,000 to Beijing Bona Film Base Investment Management Co., Ltd., a company 100% controlled by a major shareholder of Bona Film, was regarded as a third party independent of the Company and its connected persons, which bears an interest at 3% per annum with a maturity of 3 years. The loan receivable is secured by pledge of a certain property.

22 INVENTORIES

	As of March 31,	
	2023	2022
	RMB'000	RMB'000
Merchandise	**38,744**	17,831

The cost of goods recognized as cost of sales amounted to approximately RMB98,245,000 for the year ended 31 March 2023 (2022: RMB56,975,000).

23 CASH AND BANK BALANCE

(a) Cash and cash equivalents

	As of March 31,	
	2023	2022
	RMB'000	RMB'000
Cash and deposits at banks and other financial institution	**3,919,526**	3,538,214

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 CASH AND BANK BALANCE *(Continued)*

(a) Cash and cash equivalents *(Continued)*

As of March 31, 2023, the Group had placed deposits amounted to RMB184,285,000 (2022: RMB226,884,000) in online payment platform accounts managed by Alipay.com Co., Ltd. ("Alipay", a related company of Alibaba Holding) in connection with the provision of online and mobile commerce and related services, which were recorded as 'cash and cash equivalents' in the consolidated balance sheets.

The deposits at banks earn interests at floating rates based on prevailing market rates.

(b) Restricted cash

	As of March 31,	
	2023	2022
	RMB'000	RMB'000
Restricted cash	**2,139**	18,677

As of March 31, 2023, the cash equivalents placed in payment platform, including those in restricted cash, amounting to RMB2,139,000 (2022: RMB18,677,000) represent restricted funds in bank accounts and restricted cash placed in Alipay, a related company of Alibaba Holding.

(c) Bank deposits with the maturity over one year

	As of March 31,	
	2023	2022
	RMB'000	RMB'000
Bank deposits with the maturity over one year	**300,880**	–

Bank deposits with the maturity over one year are bank deposits with original maturity for three years. The effective interest rate for the bank deposits with the maturity over one year was 3.30% for the year ended March 31, 2023.

(d) Currency denomination

	As of March 31,	
	2023	2022
	RMB'000	RMB'000
RMB	**3,101,496**	2,498,633
US$	**1,106,007**	996,544
HK$	**15,042**	61,714
	4,222,545	3,556,891

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 SHARE CAPITAL

Ordinary shares of HK$0.25 each, issued and fully paid:

	Number of shares	Share capital HK$'000	Share capital RMB'000
At March 31, 2021	26,834,946,210	6,708,737	5,424,523
Exercise of share options under share option scheme	1,840,200	460	382
Issuance of shares under share award scheme	138,953,746	34,738	28,071
At March 31, 2022	26,975,740,156	6,743,935	5,452,976
At March 31, 2023	26,975,740,156	6,743,935	5,452,976

25 SHARE-BASED PAYMENT

During the years ended March 31, 2023 and 2022, share-based payment expenses recognized in the consolidated statements of profit or loss included:

	For the year ended March 31,	
	2023	2022
	RMB'000	RMB'000
Share-based payment under the Share Option Scheme (Note a)	**21,076**	21,619
Share-based payment under the Share Award Scheme (Note b)	**115,309**	125,272
Share-based payment transactions with ultimate parent (Note c)	**67,818**	–
	204,203	146,891

(a) Share option scheme

The 2012 share option scheme (the "2012 Share Option Scheme") was adopted by the Company pursuant to a resolution passed by the Company's shareholders on June 11, 2012 for the primary purpose of providing incentives or rewards to any director, employee and other eligible participants who may make contribution to the Group. The 2012 Share Option Scheme has been terminated, and the 2021 share option scheme has been adopted on September 6, 2021. All outstanding options granted under the 2012 Share Option Scheme remain valid upon expiry of the 2012 Share Option Scheme.

The maximum aggregate number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2012 Share Option Scheme and any other share option schemes, must not exceed 30% of the total number of shares of the Company in issue from time to time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 SHARE-BASED PAYMENT *(Continued)*

(a) Share option scheme *(Continued)*

The fair values of the options granted pursuant to the 2012 Share Option Scheme during the year ended March 31, 2023 are as below:

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

There are no options granted during the year ended March 31, 2023.

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, 2023 is a service time and the vesting period ranges from 4 to 6 years.

Movements of the share options granted by the Company pursuant to the 2012 Share Option Scheme are as below:

	For the year ended March 31, 2023		For the year ended March 31, 2022	
	Weighted average exercise price in HK$ per share option	**Number of share options**	Weighted average exercise price in HK$ per share option	Number of share options
At beginning of the year	**1.220**	**239,785,600**	1.236	261,538,100
Granted	**–**	**–**	1.066	16,725,000
Exercised	**–**	**–**	1.022	(1,840,200)
Lapsed	**1.275**	**(54,848,000)**	1.275	(36,637,300)
Cancelled	**1.212**	**(171,462,600)**	–	–
At ending of the year	**1.102**	**13,475,000**	1.220	239,785,600

Note:

For the ended March 31, 2023, value of employee services provided under the Share Option Scheme recognized in the consolidated statement of profit or loss was RMB21,076,000 (March 31, 2022: RMB21,619,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 SHARE-BASED PAYMENT *(Continued)*

(a) Share option scheme *(Continued)*

Share options outstanding at the end of the year have the following grant dates, expiry dates and exercise prices:

Grant date	Expiry date	Exercise price in HK$ per share option	Number of share options As of March 31, 2023	2022
January 28, 2015	January 27, 2025	**1.670**	**–**	600,000
April 13, 2016	April 12, 2026	**1.880**	**–**	5,200,000
June 3, 2016	June 2, 2026	**1.860**	**–**	450,000
December 24, 2017	December 23, 2027	**1.276**	**–**	6,200,000
January 18, 2018	January 17, 2028	**1.060**	**1,200,000**	1,200,000
May 21, 2018	May 20, 2028	**0.912**	**–**	42,700,000
September 26, 2018	September 25, 2028	**1.020**	**–**	20,799,000
May 31, 2019	May 30, 2029	**1.630**	**800,000**	51,001,000
September 23, 2019	September 22, 2029	**1.340**	**–**	14,350,000
January 15, 2020	January 14, 2030	**1.460**	**–**	10,000,000
June 5, 2020	June 4, 2030	**1.070**	**3,975,000**	55,860,600
September 11, 2020	September 10, 2030	**1.144**	**–**	16,800,000
June 11, 2021	June 10, 2031	**1.066**	**7,500,000**	14,625,000
			13,475,000	239,785,600

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 of March 31, 2023 had a weighted average remaining contractual life of 7 years (2022: 7 years).

(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, Alibaba Holding and subsidiaries of Alibaba Holding 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 SHARE-BASED PAYMENT *(Continued)*

(b) Share Award Scheme *(Continued)*

Subject to any early termination determined by the Board of Directors, the Share Award Scheme shall be valid and effective for a term commencing on the Adoption Date and ending on the earliest of the following:

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

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

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

As of March 31, 2023, the remaining life of the Share Award Scheme was approximately 9 years.

The Board of Directors shall not make any further award which will result in the aggregate number of shares awarded by the Board of Directors or held by the Share Award Trust under the Share Award Scheme to be in excess of 2% of the issued share capital of the Company from time to time. The maximum number of shares (including both vested and non-vested shares) which may be awarded to a selected grantee under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

The Share Award Trust shall not exercise the voting rights in respect of any shares held by it under the Share Award Scheme. Dividends declared for any shares held by the Share Award Trust shall become part of the trust fund for future purchase of shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 SHARE-BASED PAYMENT *(Continued)*

(b) Share Award Scheme *(Continued)*

Movements of the awarded shares granted by the Company pursuant to the Share Award Scheme are as below:

	For the year ended March 31, 2023		For the year ended March 31, 2022	
	Weighted average exercise price in HK$ per share	**Number of awarded shares**	Weighted average exercise price in HK$ per share	Number of awarded shares
At beginning of the year	**1.207**	**305,075,251**	1.319	292,369,426
Granted (Note)	**0.671**	**199,008,604**	1.024	173,223,746
Vested	**1.179**	**(106,673,452)**	1.247	(94,217,675)
Lapsed	**1.024**	**(38,765,246)**	1.165	(66,300,246)
At ending of the year	**0.938**	**358,645,157**	1.207	305,075,251

Note:

For the newly granted shares during the year ended March 31, 2023, the vesting condition is service time and the vesting period ranges from 4 to 6 years.

The fair value of restricted shares charged to the consolidated statement of profit or loss was RMB115,309,000 during the year ended March 31, 2023 (2022: RMB125,272,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 SHARE-BASED PAYMENT *(Continued)*

(c) Share-based payment transactions with ultimate parent

On September 29, 2022, the Company and Alibaba Holding entered into a framework agreement relating to equity-based compensation ("EBC") cost allocation and reimbursement (the "Framework Agreement"). As each of Alibaba Holding and the Company is committed to allow internal transfers between the Group and Alibaba Holding, its subsidiaries and affiliates (other than the Group) (the "Alibaba Holding Entities", each an "Alibaba Holding Entity") when equity-based awards are vital to attract, incentivize and retain employees, each of them agreed to enter into the Framework Agreement, allowing the grantees to retain their awards after the internal transfers and allocating their EBC costs to the relevant entity to which such grantee has joined.

In respect of the restricted share units, options or any other equity incentive awards of Alibaba Holding Entities pursuant to their respective equity inventive plans and/or any other EBC plans (the "Alibaba Holding Group Awards") held by any grantees (whose employment is transferred from an Alibaba Holding Entity to a Group Entity), Alibaba Holding may allocate the EBC costs associated with those unvested Alibaba Holding Group Awards to the Company and subject to relevant adjustments upon vesting, the Company may reimburse Alibaba Holding the amount in respect of the relevant vested Alibaba Holding Group Awards. The cost allocation from Alibaba Holding to the Company was treated as share-based payment transactions with Alibaba Holding 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'. The Company recognized share-based payment expenses of RMB67,818,000 for Alibaba Holding Group Awards for the year ended March 31, 2023, with a net amount of RMB1,542,000 to be reimbursed by the Company to Alibaba Holding as of March 31, 2023, after offsetting any payment payable to each other pursuant to the Framework Agreement.

In respect of the awarded shares, options or any other equity incentive awards of the Group pursuant to its share award scheme(s), share option scheme(s) and any other EBC plans (the "Group Awards") held by any grantees (whose employment is transferred from a Group Entity to an Alibaba Holding Entity), the Company may allocate the EBC costs associated with those unvested Group Awards to Alibaba Holding and subject to relevant adjustments upon vesting, Alibaba Holding may reimburse the Company the amount in respect of the relevant vested Group Awards. During the year ended March 31, 2023, the related share-based compensation recognized in relation to the cost allocation above and the corresponding amount derecognized in other reserve amounted to RMB10,216,000.

26 RESERVES

As of March 31, 2023, the Group's retained earnings included PRC subsidiaries' statutory surplus reserve of RMB53,215,000(2022: RMB51,564,000).

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 RESERVES *(Continued)*

In addition, in accordance with the Law of the PRC on Enterprises with Foreign Investments, appropriation from net profits (based on the PRC statutory financial statements after offsetting accumulated losses from prior years) should be made by the Group's wholly owned foreign subsidiaries in the PRC to their respective reserve funds. The percentage of net profit to be appropriated to the reserve fund is not less than 10% of the net profit. When the balance of the reserve fund reaches 50% of the registered capital, such transfer need not be made.

The statutory surplus reserves and the reserve funds can be used to make up for the loss or increase the paid in capital after approval from the appropriate authorities and are not distributable as cash dividends.

27 TRADE AND OTHER PAYABLES, AND ACCRUED CHARGES

	As of March 31,	
	2023	2022
	RMB'000	RMB'000
Trade payables (Note a)		
– Related parties (Note 32(c))	**52,229**	77,075
– Third parties	**313,744**	311,837
	365,973	388,912
Other payable and accrued charges:		
Amounts due to related parties (Note 32(c))	**58,950**	63,754
Payables in relation to distribution of films	**195,690**	250,654
Payroll and welfare payable	**152,514**	102,885
Accrued marketing expense	**101,293**	107,133
Other tax payable	**84,484**	58,783
Amounts received on behalf of cinema ticketing system providers	**44,265**	53,176
Professional fees payable	**11,725**	21,922
Deposit from customers	**7,624**	9,104
Amounts received on behalf of cinemas	**3,020**	1,161
Consideration payable for acquisition of a subsidiary	**–**	3,000
Others	**58,033**	59,437
	717,598	731,009
Total trade and other payables, and accrued charges	**1,083,571**	1,119,921

The carrying amounts of trade and other payables are considered to approximate their fair values, due to their short-term nature or interest-bearing nature.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Note:

(a) Trade payables

As of March 31, 2023 and 2022, the aging analysis of the trade payables based on invoice date is as follows:

	As of March 31,	
	2023	2022
	RMB'000	RMB'000
0 – 90 days	**267,893**	278,179
91 – 180 days	**44,818**	71,373
181 – 365 days	**25,398**	27,716
Over 365 days	**27,864**	11,644
	365,973	388,912

28 DEFERRED INCOME TAX

The analysis of deferred income tax assets and liabilities is as follows:

	As of March 31,	
	2023	2022
	RMB'000	RMB'000
Deferred income tax assets	**14,003**	13,401
Deferred income tax liabilities	**(48,373)**	(49,302)

The movements in deferred income tax assets during the years ended March 31, 2023 and 2022 are as follows:

	Advertising expenses carried over for use in future
	RMB'000
At April 1, 2021	11,453
Credit to the consolidated statement of profit or loss	1,948
At March 31, 2022	13,401
At April 1, 2022	**13,401**
Credit to the consolidated statement of profit or loss	**602**
At March 31, 2023	**14,003**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 DEFERRED INCOME TAX *(Continued)*

The movements in deferred income tax liabilities during the years ended March 31, 2023 and 2022 are as follows:

	Changes in fair value of financial assets RMB'000
At April 1, 2021	(62,657)
Credited to the consolidated statement of profit or loss	13,355
At March 31, 2022	(49,302)
At April 1, 2022	**(49,302)**
Credited to the consolidated statement of profit or loss	**929**
At March 31, 2023	**(48,373)**

Starting from January 1, 2008, the tax law of the PRC requires payment of withholding tax upon the distribution of profits earned by the PRC subsidiaries to the foreign shareholders. Deferred income tax has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to such profits generated by subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefit through the future taxable profits is probable. As of March 31, 2023, the Group had tax losses of RMB3,328,097,000 (2022: RMB3,303,454,000) to carry forward, which were not recognized as deferred tax assets as the Directors of the Company consider that the utilization of these tax losses in the foreseeable future is not probable, of which an amount of RMB2,717,790,000 will expire through year 2023 to 2030 (2022: RMB2,786,487,000 will expire through year 2022 to 2029), and an amount of RMB610,307,000 (2022: RMB516,967,000) has no expiry date.

29 DIVIDEND

The Board of Directors of the Company has resolved not to recommend the payment of a dividend for the year ended March 31, 2023 (2022: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 CASH USED IN OPERATIONS

(a) Cash used in operations

	For the year ended March 31, 2023 RMB'000	2022 RMB'000
(Loss)/profit before income tax	**(279,322)**	128,902
– Depreciation of PPE and Right-of-use assets	**44,375**	82,675
– Depreciation of investment properties	**1,162**	1,162
– Amortization of intangible assets	**14,211**	13,958
– Provision for impairment of film and TV copyrights	**58,052**	53,974
– (Reversal of impairment provision)/impairment provision of trade and other receivables	**(56)**	176,150
– Loss on disposal of property, plant and equipment	**1,988**	565
– Trade and other payables written off	**–**	(6,670)
– Dividend income	**–**	(59,890)
– Gains on COVID-19 rent concessions	**–**	(743)
– Gains on disposal of subsidiaries	**–**	(27,236)
– Share of loss of investments accounted for using the equity method	**39,472**	10,749
– Loss on dilution of interest in associates	**130,976**	–
– Loss on disposal of an associate	**–**	(16,844)
– Provision for impairment of investments accounted for using equity method	**127,589**	218,850
– Change in fair value of film and TV investments, recognized in other losses, net	**(73,787)**	(79,192)
– Change in fair value of investment in structured deposits	**(8,700)**	–
– Change in fair value of investment in wealth management products	**(63)**	(75)
– Change in fair value of unlisted investments	**239,316**	(320,587)
– Change in fair value of listed investment	**(14,064)**	121,012
– Interest income on loan receivables	**(28,952)**	(28,239)
– Finance income, net	**(108,711)**	(79,285)
– Change in share-based compensation reserve under share option scheme and share award scheme	**204,203**	146,891
– Provision for impairment of property, plant and equipment	**–**	7,607
Changes in working capital:		
– Trade and other receivables, and prepayments	**285,518**	(439,415)
– Film and TV rights and investments	**(10,220)**	(398,178)
– Contract liabilities	**(15,940)**	125,048
– Trade and other payables, and accrued charges	**(34,892)**	(122,688)
– Inventories	**(20,913)**	(17,831)
– Financial Liabilities	**13,050**	–
– Restricted Cash	**17,810**	–
Cash generated from/(used in) operations	**582,102**	(509,330)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 CASH USED IN OPERATIONS *(Continued)*

(b) Net cash reconciliation

An analysis of net cash as of March 31, 2023 and 2022 is as follows:

	As of March 31, 2023 RMB'000	2022 RMB'000
Net cash		
Cash and cash equivalents	**3,919,526**	3,538,214
Bank deposits with the maturity over one year	**300,880**	–
Lease liabilities – repayable within one year	**(27,201)**	(30,639)
Lease liabilities – repayable after one year	**(118,566)**	(137,231)
Borrowings – repayable within one year	**–**	(9,375)
Net cash	**4,074,639**	3,360,969
Cash and liquid investments	**4,220,406**	3,538,214
Gross debt – fixed interest rates	**(145,767)**	(167,870)
Gross debt – variable interest rates	**–**	(9,375)
Net cash	**4,074,639**	3,360,969

Movements in net cash for the years ended March 31, 2023 and 2022 are as follows:

	Other assets				Liabilities from financing activities		
	Cash and cash equivalents RMB'000	Investment in wealth management products RMB'000	Structured deposits RMB'000	Bank deposits with the maturity over one year RMB'000	Lease liabilities RMB'000	Borrowing RMB'000	Total RMB'000
Net cash as of April 1, 2021	3,897,802	7,000	–	–	(296,468)	(30,000)	3,578,334
Cash flows	(316,078)	(7,075)	–	–	48,886	20,625	(253,642)
Foreign exchange adjustments	(43,510)	–	–	–	–	–	(43,510)
Other changes	–	75	–	–	79,712	–	79,787
Net cash as of March 31, 2022	**3,538,214**	**–**	**–**	**–**	**(167,870)**	**(9,375)**	**3,360,969**
Cash flows	**299,259**	**(63)**	**(8,700)**	**300,000**	**31,950**	**9,375**	**631,821**
Foreign exchange adjustments	**82,053**	**–**	**–**	**–**	**–**	**–**	**82,053**
Other changes	**–**	**63**	**8,700**	**880**	**(9,847)**	**–**	**(204)**
Net cash as of March 31, 2023	**3,919,526**	**–**	**–**	**300,880**	**(145,767)**	**–**	**4,074,639**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 COMMITMENTS

As of March 31, 2023, capital expenditure contracted for but not yet incurred by the Group amounted to approximately RMB572,137,000 with respect to investments in certain film and TV rights and investments accounted for using the equity method (2022: RMB474,846,000).

32 RELATED PARTY TRANSACTIONS

As of March 31, 2023, the Company was 50.0007% owned by Ali CV. The ultimate parent of the Company is Alibaba Holding, a company whose shares are listed on New York Stock Exchange and Hong Kong Stock Exchange and incorporated in Cayman Islands.

Save as disclosed elsewhere in this consolidated financial statements, the following transactions were carried out with related parties:

(a) Transactions with related parties

	For the year ended March 31,	
	2023	2022
	RMB'000	RMB'000
Sales of film and TV rights to Alibaba Holding's subsidiaries (Note i)	**648,680**	791,899
Provision of services to Alibaba Holding's subsidiaries (Note i)	**643,660**	248,083
Purchase of services from Alibaba Holding's subsidiaries (Note i)	**131,796**	92,504
Share-based compensation expenses attributable to the Alibaba Holding Group Awards (Note i)	**67,818**	–
Purchase of services from related companies of Alibaba Holding (Note i)	**36,302**	40,920
Provision of services to associates	**34,066**	61,754
Reimbursement amount of the Group Awards from Alibaba Holding (Note i)	**10,216**	–
Purchase of services from an associate	**5,052**	–
Provision of services to related companies of Alibaba Holding (Note i)	**1,765**	–
Sales of film and TV rights to an associate	**–**	3,000
Purchase of film and TV rights from Alibaba Holding's subsidiaries (Note i)	**–**	943

In the opinion of the Directors of the Company, these related party transactions were carried out in the ordinary course of business and in accordance with the terms of the underlying agreements.

Note:

(i) During the year ended March 31, 2023, the above transactions constituted connected transactions under the Rules Governing the Listing of Securities on the HK Stock Exchange.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balances due from related parties

As of March 31, 2023, balances due from related parties comprised:

	As of March 31,	
	2023	2022
	RMB'000	RMB'000
Trade receivables		
Amounts due from Alibaba Holding's subsidiaries	**637,183**	849,899
Amounts due from associates	**277,027**	317,888
Amounts due from other related companies	**25,759**	–
Amounts due from related companies of Alibaba Holding	**2,462**	2,322
Other receivables		
Amounts due from associates and joint venture	**60,671**	60,591
Amounts due from Alibaba Holding's subsidiaries	**760**	2,674
Amounts due from related companies of Alibaba Holding	**118**	118

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

As of March 31, 2023, the Group had a total amount of RMB184,285,000 (2022: RMB226,884,000) in the Group's settlement accounts maintained with Alipay.com Co., Ltd (a related company of Alibaba Holding), which had been recorded as 'cash and cash equivalents' in the consolidated balance sheet and were the settlement amounts derived from the transactions between the Group and third parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances due to related parties

As of March 31, 2023, balances due to related parties comprised:

	As of March 31,	
	2023	2022
	RMB'000	RMB'000
Trade payables		
Amounts due to a related company of Alibaba Holding	**21,221**	60,169
Amounts due to Alibaba Holding's subsidiaries	**14,506**	13,490
Amounts due to other related companies	**9,612**	–
Amounts due to associates	**6,890**	3,416
Other payables		
Amounts due to Alibaba Holding's subsidiaries	**44,766**	57,918
Amounts due to associates	**14,008**	4,126
Amounts due to related companies of Alibaba Holding	**176**	1,710
Contract Liabilities		
Amounts due to Alibaba Holding's subsidiaries	**8,706**	–

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

(d) Key management compensation

The compensation paid or payable to key management for employee services is shown below:

	For the year ended March 31,	
	2023	2022
	RMB'000	RMB'000
Salaries, allowances and other benefits	**2,981**	3,079
Share-based payments	**12,359**	7,960
	15,340	11,039

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company

	As of March 31,	
	2023	2022
	RMB'000	RMB'000
Assets		
Non-current assets		
Intangible assets	**200**	200
Investments in subsidiaries	**17,075,981**	19,700,722
	17,076,181	19,700,922
Current assets		
Cash and cash equivalents	**15,053**	32,018
	15,053	32,018
Total assets	**17,091,234**	19,732,940
Equity and liabilities		
Equity attributable to owners of the Company		
Share capital	**5,452,976**	5,452,976
Reserves	**11,635,674**	14,276,713
Total equity	**17,088,650**	19,729,689
Current liabilities		
Trade and other payables, and accrued charges	**2,584**	3,251
Total liabilities	**2,584**	3,251
Total equity and liabilities	**17,091,234**	19,732,940

The balance sheet of the Company was approved by the Board of Directors on May 31, 2023 and was signed on its behalf by:

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	Other reserve RMB'000	Contributed surplus RMB'000	Share-based compensation reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At April 1, 2021	13,371,892	863	(264,317)	–	61,486	321,788	694,442	14,186,154
Exercise of share options under share option scheme	1,973	–	–	–	–	(794)	–	1,179
Issuance of shares under share award scheme	49,406	–	(77,477)	–	–	–	–	(28,071)
Shares purchased for share award scheme	–	–	(9,489)	–	–	–	–	(9,489)
Shares vested under share award scheme	–	–	117,526	–	–	(117,526)	–	–
Value of employee services provided under share option scheme and share award scheme	–	–	–	–	–	146,891	–	146,891
Loss for the year	–	–	–	–	–	–	(19,951)	(19,951)
At March 31, 2022	13,423,271	863	(233,757)	–	61,486	350,359	674,491	14,276,713
At April 1, 2022	**13,423,271**	**863**	**(233,757)**	**–**	**61,486**	**350,359**	**674,491**	**14,276,713**
Exercise of share options under share option scheme	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Issuance of shares under share award scheme	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Shares purchased for share award scheme	**–**	**–**	**(4,473)**	**–**	**–**	**–**	**–**	**(4,473)**
Shares vested under share award scheme	**–**	**–**	**29,339**	**–**	**–**	**(29,339)**	**–**	**–**
Value of employee services provided under share option scheme and share award scheme	**–**	**–**	**–**	**–**	**–**	**136,385**	**–**	**136,385**
Value of employee services provided in relation to share-based payment transactions with ultimate parent	**–**	**–**	**–**	**–**	**–**	**67,818**	**–**	**67,818**
Value of share-based compensation allocated to ultimate parent	**–**	**–**	**–**	**(10,216)**	**–**	**10,216**	**–**	**–**
Settlement of share-based compensation cost with ultimate parent	**–**	**–**	**–**	**(4,050)**	**–**	**–**	**–**	**(4,050)**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(2,836,719)**	**(2,836,719)**
At March 31, 2023	**13,423,271**	**863**	**(208,891)**	**(14,266)**	**61,486**	**535,439**	**(2,162,228)**	**11,635,674**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 SUBSIDIARIES

(a) The following is a list of the principal subsidiaries at March 31, 2023:

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
				2023 (%)	2022 (%)	**2023 (%)**	2022 (%)	
SAC Enterprises Limited	Hong Kong/Limited liability company	Hong Kong	Ordinary HK$12,607,216,223	**100**	100	**–**	–	Provision of management services to group companies
Alibaba Pictures Entertainment Media Limited	Hong Kong/Limited liability company	Hong Kong	Ordinary HK$1	**100**	100	**–**	–	Investment in and production and distribution of film & TV rights
Beijing Alibaba Pictures Culture Co., Ltd. (北京阿里巴巴影業文化有限公司) (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB410,000,000	**–**	–	**–**	–	Film distribution, film production; performance brokerage, production of broadcasting & television programs
Alibaba Pictures (Tianjin) Co., Ltd (阿里巴巴影業(天津)有限公司) (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB165,000,000	**–**	–	**–**	–	Production of broadcasting & television programs
Zhonglian Shengshi Culture (Beijing) Co., Ltd. 中聯盛世文化(北京)有限公司	PRC/Wholly foreign owned enterprise	PRC	Registered Capital RMB100,000,000	**100**	100	**–**	–	Investment holding
Alibaba Shouquanbao (Tianjin) Culture Communication Co., Ltd. 阿里巴巴授權寶(天津)文化傳播有限公司 (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB10,000,000	**–**	–	**–**	–	Advertising and sale of entertainment related merchandise and derivative products

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 SUBSIDIARIES *(Continued)*

(a) The following is a list of the principal subsidiaries at March 31, 2023: *(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 2023 (%)	2022 (%)	Proportion of equity interests held by non-controlling interests 2023 (%)	2022 (%)	Principal activities
Guangdong Alibaba Pictures Yunzhi Software Co., Ltd. 廣東阿里影業雲智軟件有限公司	PRC/Limited liability company	PRC	Registered Capital RMB10,000,000	**100**	100	**-**	-	Supply of cinema ticketing and connecting software systems
Zhejiang Dongyang Alibaba Pictures Co., Ltd. 浙江東陽阿里巴巴影業有限公司 (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB50,000,000	**-**	-	**-**	-	Investment in and production and distribution of film and TV copyrights; investments management
Zhejiang Dongyang Microcosmic Movie & Media Co., Ltd. 浙江東陽小宇宙影視傳媒有限公司 (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB150,000,000	**-**	-	**-**	-	Investment in and production and distribution of film and TV copyrights
Beijing Fannifanni Culture Media Co., Ltd. 北京蕃尼蕃尼文化傳媒有限公司 (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB1,000,000	**-**	-	**-**	-	Production of variety shows, television programs and short dramas for children
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 RMB90,000,000	**-**	-	**-**	-	Investment in and production and distribution of film and TV copyrights
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 SUBSIDIARIES *(Continued)*

(a) The following is a list of the principal subsidiaries at March 31, 2023: *(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
				2023 (%)	2022 (%)	**2023 (%)**	2022 (%)	
Alibaba Pictures Media LLC	USA/Limited liability company	USA	N/A	**100**	100	**–**	–	Investment in and production of film rights
Hangzhou Tao Piao Piao Technology Co., Ltd. (杭州淘票票科技有限公司)	PRC/Sino foreign cooperative	PRC	Registered Capital US$193,191,909	**96.7**	96.7	**3.3**	3.3	Online movie ticketing agent
Hangzhou Xingji Movie & TV Culture Co., Ltd. 杭州星際影視文化有限公司	PRC/Limited liability company	PRC	Registered Capital RMB25,390,686	**80**	80	**20**	20	Film screening
Shanghai Tao Piao Piao Movie & TV Culture Co., Ltd. 上海淘票票影視文化有限公司 (Note i)	PRC/Limited liability company	PRC	Registered Capital RMB10,000,000	**–**	–	**–**	–	Film investment, film distribution; ticketing agency; technological consultation, technology transfer and technology services in the professional field of network technology; e-commerce
Shanghai Alibaba Pictures Co., Ltd. 上海阿里巴巴影業有限公司 (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB30,000,000	**–**	–	**–**	–	Film investment, film production
Beijing Blue Sky Dark Horse Culture Media Co., Ltd. 北京藍天黑馬文化傳媒有限公司 (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB3,000,000	**–**	–	**–**	–	Film Distribution and Marketing

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 SUBSIDIARIES *(Continued)*

(a) The following is a list of the principal subsidiaries at March 31, 2023: *(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 2023 (%)	Proportion of equity interests held by the Company 2022 (%)	Proportion of equity interests held by non-controlling interests 2023 (%)	Proportion of equity interests held by non-controlling interests 2022 (%)	Principal activities
Zhongyu (Tianjin) Commercial Factoring Co., Ltd. 中娛(天津)商業保理有限公司 (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB50,000,000	**–**	–	**–**	–	Factoring
Beijing Taoxiu New Media Technology Co., Ltd. 北京淘秀新媒體科技有限公司 (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB5,000,000	**–**	–	**–**	–	Internet Information services, advertising and marketing
Cool Young Culture Communication Co., Ltd. 酷漾文化傳播有限公司 (Note iii)	PRC/Limited liability company	PRC	Registered Capital RMB50,000,000	**–**	–	**–**	–	Talent agency
Beijing Yunshangzhi Software Development Co., Ltd. 北京雲尚制軟件開發有限公司	PRC/Limited liability company	PRC	Registered Capital RMB28,570,000	**70**	70	**30**	30	Software development
Nanjing Pairui Cinema Management Co., Ltd. 南京派瑞影院管理有限公司	PRC/Limited liability company	PRC	Registered Capital RMB69,288,889	**55**	55	**45**	45	Film Screening
Taomailang (Beijing) Technology Co., Ltd 淘麥郎(北京)科技有限公司 (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB10,000,000	**–**	–	**–**	–	Computer system services
Alibaba Pictures (Beijing) Co., Ltd. 阿里巴巴影業(北京)有限公司 (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB30,000,000	**–**	–	**–**	–	Investment in and production and distribution of film and TV copyrights

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 SUBSIDIARIES *(Continued)*

(a) The following is a list of the principal subsidiaries at March 31, 2023: *(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 2023 (%)	2022 (%)	Proportion of equity interests held by non-controlling interests 2023 (%)	2022 (%)	Principal activities
Aliyu (Tianjin) Culture Communication Co., Ltd. 阿鯉魚(天津)文化傳播有限公司 (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB1,000,000	-	-	-	-	IP-related products
Tianjin Duanhenaqu Technology Co., Ltd. 天津端盒拿趣科技有限公司 (Note ii)	PRC/Limited liability company	PRC	Registered Capital RMB10,000,000	-	-	-	-	Sale of pop toys

Notes:

(i) These are subsidiaries arising from the Contractual Arrangements (Note 2.3.1(a)).

(ii) These are subsidiaries of the OPCOs. Pursuant to the respective Memorandum and Articles of Association of these subsidiaries, the OPCOs have power to control the operating and financial affairs of these subsidiaries. Accordingly, they are treated as the subsidiaries of the Company under HKFRS 10 and their results, assets and liabilities are consolidated with those of the Group.

(iii) These are subsidiaries established by Zhejiang Dongyang Alibaba Pictures Co., Ltd and Beijing Dayu Happy Culture Media Co., Ltd (a subsidiary of Alibaba Holding).

The above list includes the subsidiaries of the Company which, in the opinion of the Directors of the Company, principally affect the results of the Group for the year or form a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Directors of the Company, result in particulars of excessive length.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 SUBSIDIARIES *(Continued)*

(b) Material non-controlling interests

The total non-controlling interests as of March 31, 2023 amounted to RMB40,376,000 (2022: RMB25,895,000). No subsidiary has non-controlling interests that are material to the Group.

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, 2023 is set out below:

	Fees RMB'000	Salary (Note v) RMB'000	Discretionary bonuses RMB'000	Share-based compensation (Note vi) RMB'000	Allowances and benefits in kind (Note viii) RMB'000	Employer's contributions to the retirement benefit scheme (Note b) RMB'000	Social security costs excluding retirement cost RMB'000	Total RMB'000
Name								
Executive Directors								
Mr. Fan Luyuan (Note i)	–	–	–	2,165	–	–	–	2,165
Mr. Meng Jun (Note ii)	–	–	–	675	–	–	–	675
Mr. Li Jie	–	1,764	1,100	7,106	20	41	57	10,088
Non-Executive Director								
Mr. Liu Zheng (Note iv)	–	–	–	–	–	–	–	–
Independent non-executive Directors								
Ms. Song Lixin (Note vii)	245	–	–	–	–	–	–	245
Mr. Tong Xiaomeng (Note vii)	297	–	–	–	–	–	–	297
Mr. Johnny Chen (Note vii)	262	–	–	–	–	–	–	262
	804	1,764	1,100	9,946	20	41	57	13,732

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

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

The remuneration of Directors and the chief executive of the Company for the year ended March 31, 2022 is set out below:

	Fees RMB'000	Salary (Note v) RMB'000	Discretionary bonuses RMB'000	Share-based compensation (Note vi) RMB'000	Allowances and benefits in kind (Note viii) RMB'000	Employer's contributions to the retirement benefit scheme (Note b) RMB'000	Social security costs excluding retirement cost RMB'000	Total RMB'000
Name								
Executive Directors								
Mr. Fan Luyuan (Note i)	–	–	–	2,082	–	–	–	2,082
Mr. Meng Jun (Note ii)	–	–	–	567	–	–	–	567
Mr. Li Jie	–	1,765	1,200	5,661	19	39	56	8,740
Non-Executive Directors								
Mr. Xu Hong (Note iii)	–	–	–	–	–	–	–	–
Mr. Liu Zheng (Note iv)	–	–	–	–	–	–	–	–
Independent non-executive Directors								
Ms. Song Lixin (Note vii)	227	–	–	–	–	–	–	227
Mr. Tong Xiaomeng (Note vii)	276	–	–	–	–	–	–	276
Mr. Johnny Chen (Note vii)	243	–	–	–	–	–	–	243
	746	1,765	1,200	8,310	19	39	56	12,135

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

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

Notes:

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

(ii) Except for the share-based compensation, the remaining emoluments of Mr. Meng Jun were paid by Alibaba Group.

(iii) Mr. Xu Hong was appointed as non-executive director on January 17, 2020 and resigned on October 18, 2021. The emoluments of Mr. Xu Hong which were not included in director's emoluments were paid by Alibaba Group.

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

(v) 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.

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

(vii) During the year ended March 31, 2023, the total remuneration paid to each of Ms. Song Lixin, Mr. Tong Xiaomeng and Mr. Johnny Chen comprised director's fee and the fee for acting as chairman and/or member of the Company's board committees.

(viii) Includes housing allowances and estimated money value of other non-cash benefits: car and insurance premium.

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, 2023 (2022: nil).

(b) Directors' retirement benefits

The retirement benefits paid to Mr. Li Jie during the year ended March 31, 2023 by a defined benefit pension plan operated by the Group in respect of Mr. Li Jie's services in connection with the management of the affairs of the Company and its subsidiaries undertaking is RMB41,000 (2022: RMB39,000). No other retirement benefits were paid to Mr. Li Jie in respect of Mr. Li Jie's other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2022: same).

(c) Directors' termination benefits

No payment was made to directors as compensation for early termination of the appointment during the year ended March 31, 2023 (2022: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(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, 2023 (2022: nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the year ended March 31, 2023 (2022: 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 year or at any time during the year ended March 31, 2023 (2022: nil).

(g) Directors' emoluments

The remuneration of Directors is set out below:

For the year ended March 31, 2023

Aggregate emoluments paid to or receivable by directors in respect of their services as directors RMB'000	**Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Company RMB'000**	**Total RMB'000**
804	**12,928**	**13,732**

For the year ended March 31, 2022

Aggregate emoluments paid to or receivable by directors in respect of their services as directors RMB'000	Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Company RMB'000	Total RMB'000
746	11,389	12,135

FINANCIAL SUMMARY

RESULTS

	For the year ended March 31,				
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	**2023** **RMB'000**
Continuing operations					
Revenue	3,033,844	2,874,694	2,858,897	3,652,170	**3,520,357**
(Loss)/profit before income tax	(280,887)	(1,136,616)	(117,987)	128,902	**(279,322)**
Income tax (expense)/credit	(15,063)	(29,200)	802	25,413	**415**
(Loss)/profit for the period/year from continuing operations	(295,950)	(1,165,816)	(117,185)	154,315	**(278,907)**
(Loss)/profit attributable to:					
Owners of the Company	(253,570)	(1,150,570)	(96,311)	169,853	**(291,132)**
Non-controlling interests	(42,380)	(15,246)	(20,874)	(15,538)	**12,225**
	(295,950)	(1,165,816)	(117,185)	154,315	**(278,907)**

ASSETS AND LIABILITIES

	As of March 31,				
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	**2023** **RMB'000**
Total assets	16,617,783	15,847,879	15,540,882	15,576,698	**15,571,638**
Total liabilities	(1,665,558)	(1,871,409)	(1,702,944)	(1,533,696)	**(1,461,427)**
Total equity	14,952,195	13,976,470	13,837,938	14,043,002	**14,110,211**
Non-controlling interest	(95,752)	(78,094)	(51,617)	(25,895)	**(40,376)**
Equity attributable to owners of the Company	14,856,443	13,898,376	13,786,321	14,017,107	**14,069,835**