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Alibaba Pictures Group Limited
阿里巴巴影业集团有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1060)

**RENEWAL OF EXISTING CONTINUING CONNECTED
TRANSACTIONS – PROVISION OF THE OPERATING SERVICES**

RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS

Reference is made to the 2021 Announcement in relation to the existing continuing connected transaction contemplated under the 2021 Operating Service Agreement.

As the 2021 Operating Service Agreement expired on 31 March 2024, Shouquanbao, an indirect wholly-owned subsidiary of the Company, and the Tmall Entities entered into the 2024 Operating Service Agreement on April 8, 2024 to renew the 2021 Operating Service Agreement for a term of three years commencing from April 8, 2024 and ending on March 31, 2027. Pursuant to the 2024 Operating Service Agreement, the Tmall Entities agreed to use, and Shouquanbao agreed to provide, the Operating Services, subject to the relevant annual caps.

LISTING RULES IMPLICATIONS

As at the date of this announcement,

- (1) Alibaba Holding is the ultimate shareholder of Alibaba Investment, which is a controlling shareholder and a connected person of the Company holding 16,001,087,693 Shares in aggregate, representing approximately 54.26% of the issued share capital of the Company, among which 13,488,058,846 Shares are held by Ali CV, a wholly-owned subsidiary of Alibaba Investment;
- (2) Tmall Network and Tmall Technology are a consolidated entity and an indirect wholly-owned subsidiary of Alibaba Holding, respectively.

Accordingly, each of the Tmall Entities is an associate of Alibaba Investment and hence a connected person of the Company. The transactions contemplated under the 2024 Operating Service Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54(2) of the Listing Rules, if the Company proposes to renew continuing connected transactions contemplated under the 2021 Operating Service Agreement, the Company will have to re-comply with provisions of Chapter 14A of the Listing Rules applicable to the relevant continuing connected transactions.

Since all of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the highest annual cap for the service fees payable by the Tmall Entities to Shouquanbao for the transactions contemplated under the 2024 Operating Service Agreement are above 0.1% but below 5%, the entering into of the 2024 Operating Service Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS

Reference is made to the 2021 Announcement in relation to the existing continuing connected transaction contemplated under the 2021 Operating Service Agreement.

As the 2021 Operating Service Agreement expired on March 31, 2024, Shouquanbao, an indirect wholly-owned subsidiary of the Company, and the Tmall Entities entered into the 2024 Operating Service Agreement on April 8, 2024 to renew the 2021 Operating Service Agreement for three years commencing from April 8, 2024 and ending on March 31, 2027. Pursuant to the 2024 Operating Service Agreement, the Tmall Entities agreed to use, and Shouquanbao agreed to provide, the Operating Services, subject to the relevant annual caps. Details are set out below:

THE 2024 OPERATING SERVICE AGREEMENT

Date : April 8, 2024

Parties : (1) Tmall Network, a consolidated entity of Alibaba Holding
(2) Tmall Technology, an indirect wholly-owned subsidiary of Alibaba Holding
(3) Shouquanbao, an indirect wholly-owned subsidiary of the Company

Term : Three years commencing from April 8, 2024 and ending on March 31, 2027

Subject matter and pricing basis

Pursuant to the 2024 Operating Service Agreement, the Tmall Entities (i.e. Tmall Network and Tmall Technology) agreed to use, and Shouquanbao agreed to provide, such services (the “Operating Services”) which are necessary for Shouquanbao to jointly operate Tmall with the Tmall Entities in relation to the Relevant Categories, including, among other things, developing the Relevant Categories by sourcing, managing and regulating merchandise, recruiting new Merchants, conducting evaluations on Merchants and quality control checks on merchandise, providing customer services and marketing services, and taking action for any breach of contract by any Merchant.

The service fees payable by the Tmall Entities to Shouquanbao shall comprise: (a) a base fee equal to 50% of the software technology service fees, payable by the Merchants to the Tmall Entities based on the volume of completed sales on Tmall for the Relevant Categories, provided that such base fee shall not exceed RMB100,000,000 per financial year; and (b) cumulative performance-based bonus service fees if Shouquanbao achieves the following performance metrics:

Additional performance metrics for the financial year ending March 31, 2025	Bonus service fees per financial year (RMB)
GMV growth rate of 28% or higher, but less than 30%	20 million
GMV growth rate of not less than 30%	30 million
Recruiting 30 or more new Merchants with combined annual turnover of RMB150,000,000 or more	10 million
Procuring at least 2000 standard product units from key Merchants with shelf sales ratio of 80% or higher; procuring at least 200 standard product units from key new IP merchandise lines with shelf sales ratio of 70% or higher	5 million
Commercialisation investments by new Merchants reaching not less than RMB22,000,000	5 million

The performance metrics and bonus service fees above may be subject to change for the financial years ending March 31, 2026 and 2027, subject to parties' negotiations and the relevant annual caps. The Company will publish a separate announcement if and when there is a material change to the terms of the 2024 Operating Service Agreement in compliance with the applicable requirements under the Listing Rules.

Payment terms

The Tmall Entities shall prepay the base service fee in cash on a monthly basis. In the second month after the end of each financial year, the Tmall Entities shall determine the cap of the operation fee based on the actual fulfillment of basic service requirements and additional performance metrics (if applicable), and conduct the overall annual settlement. Refund for excess payment and supplemental payment for deficiency shall be made by the Tmall Entities and Shouquanbao based on the annual settlement. Shouquanbao will issue invoices monthly and Tmall Technology is required to make the payment within 10 business days upon receipt of the invoice issued by Shouquanbao.

ANNUAL CAPS AND BASIS OF DETERMINATION OF ANNUAL CAPS

The Board has determined that the annual caps for service fees payable by the Tmall Entities to Shouquanbao for the transactions contemplated under the 2024 Operating Service Agreement shall be RMB140,000,000, RMB150,000,000 and RMB160,000,000 respectively for each of the three financial years ending March 31, 2025, 2026 and 2027.

The annual caps were determined with reference to (1) the historical transaction amounts paid/payable by the Tmall Entities to the Group under the 2021 Operating Service Agreement for each of the two financial years ended March 31, 2022 and 2023 and the period from April 1, 2023 to February 29, 2024, being approximately RMB96,583,000, RMB108,410,000 and RMB122,617,000, respectively; (2) the expected rate of usage and demand for the Operating Services during the term of the 2024 Operating Service Agreement; and (3) a certain percentage of buffer for potential increment in the transaction volume year-on-year.

INTERNAL CONTROL MEASURES

In connection with the abovementioned pricing basis, the Group has adopted the following internal control measures to monitor the transactions contemplated under the 2024 Operating Service Agreement such that the fees payable to Shouquanbao will be fair and reasonable:

- (1) the finance department of the Company, under the overall supervision of the Company's chief finance officer and the Board, will (a) obtain evidence from Shouquanbao regarding the costs and expenses incurred as a result of provision of services to the Tmall Entities; (b) monitor the transaction amounts in respect of the Operating Services and review the management accounts on a quarterly basis and as required from time to time to ensure that the actual transaction amounts with the Tmall Entities under the 2024 Operating Service Agreement do not exceed the relevant annual caps; and (c) report to the listing compliance department of the Company, which will in turn report to the Board for consideration and approval, to determine whether revision of annual caps is necessary to comply with the Listing Rules if the transaction amount is expected to exceed the relevant annual caps;

- (2) the independent non-executive Directors will conduct independent annual review on the abovementioned internal control measures and the transactions contemplated under the 2024 Operating Service Agreement to ensure that those transactions are entered into through arm's length negotiations and on normal commercial terms or better, are fair and reasonable, in the ordinary and usual course of business of the Group, in the interests of the Company and its Shareholders as a whole and are carried out pursuant to the terms of the transactions;
- (3) the Company's auditors will conduct annual review on the pricing basis and the annual caps under the 2024 Operating Service Agreement and report their findings and conclusions to the Board; and
- (4) the Board will continue to review regularly the Company's internal control systems and their effectiveness.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2024 OPERATING SERVICE AGREEMENT

Tmall is one of the world's largest third-party online and mobile commerce platform for brands and retailers, in each case in terms of gross merchandise value in the twelve months ended March 31, 2024. Tmall caters to consumers' ever-growing demand for high quality products and premium shopping experience. Alibaba Holding has positioned Tmall as a trusted platform for consumers in the PRC and overseas to buy both homegrown and international branded products as well as products not available in traditional retail outlets. Brands and Merchants operate their own storefronts on Tmall with unique brand identities and look and feel, accompanied by full control over their own branding and merchandising. A large number of international and Chinese brands and Merchants have established storefronts on Tmall.

The Group has been engaged in developing IP derivative merchandise for several years. It has gained extensive operational experience in relation to these products and accumulated relevant industry resources. Given Tmall's large user base and the Group's expertise on the Relevant Categories, the Company believes that the collaboration between the Tmall Entities and the Group will be mutually beneficial and entering into the 2024 Operating Service Agreement will enable the Group to continue to achieve its commercial objectives and expand its business potential.

Having reviewed the terms of the 2024 Operating Service Agreement, the Directors (including the independent non-executive Directors) are of the view that the terms of the 2024 Operating Service Agreement and the annual caps are fair and reasonable, the transactions contemplated thereunder are on normal commercial terms and that entering into the 2024 Operating Service Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement,

- (1) Alibaba Holding is the ultimate shareholder of Alibaba Investment, which is a controlling shareholder and a connected person of the Company holding 16,001,087,693 Shares in aggregate, representing approximately 54.26% of the issued share capital of the Company, among which 13,488,058,846 Shares are held by Ali CV, a wholly-owned subsidiary of Alibaba Investment; and
- (2) Tmall Network and Tmall Technology are a consolidated entity and an indirect wholly-owned subsidiary of Alibaba Holding, respectively.

Accordingly, each of the Tmall Entities is an associate of Alibaba Investment and hence a connected person of the Company. The transactions contemplated under the 2024 Operating Service Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54(2) of the Listing Rules, if the Company proposes to renew continuing connected transactions as contemplated under the 2021 Operating Service Agreement, the Company will have to re-comply with provisions of Chapter 14A of the Listing Rules applicable to the relevant continuing connected transactions.

Since all of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the highest annual cap for the service fees payable by the Tmall Entities to Shouquanbao for the transactions contemplated under the 2024 Operating Service Agreement are above 0.1% but below 5%, the entering into of the 2024 Operating Service Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As each of Mr. Fan Luyuan, Mr. Meng Jun and Mr. Tung Pen Hung holds positions in Alibaba Holding or its subsidiaries, and Mr. Li Jie is currently taking up a management role in a subsidiary of Alibaba Holding, they are deemed or may be perceived to have a material interest in the transactions contemplated under the 2024 Operating Service Agreement. Accordingly, they have abstained from voting on the related Board resolutions. Other than those Directors, no other Directors have a material interest in the agreement and the transactions contemplated thereunder or are required to abstain from voting on the resolutions of the Board approving the same.

INFORMATION ABOUT THE PARTIES

The Company and Shouquanbao

The Company was incorporated in Bermuda and the Shares are listed on the Main Board of the Stock Exchange. The Company is an investment holding company and the Group focuses on developing the full business potential of integration and innovative applications of the Internet and traditional film and television industries. The core business of the Company includes four major segments: film investment, production, promotion and distribution, film ticketing and technology platform, drama series production and IP merchandising and innovative initiatives.

Shouquanbao, being a limited liability company established under the laws of the PRC, is an indirect wholly-owned subsidiary of the Company. It is principally engaged in advertising and sale of entertainment-related merchandise and derivative products.

Alibaba Holding and the Tmall Entities

Alibaba Holding is a company incorporated in the Cayman Islands with its American depositary shares (the “ADSSs”), each representing eight ordinary shares, listed on the New York Stock Exchange (stock symbol: BABA), and its ordinary shares listed on the Main Board of the Stock Exchange (stock codes: 9988 (HKD counter) and 89988 (RMB counter)). Alibaba Group’s mission is to “make it easy to do business anywhere”. Alibaba Group aims to build the future infrastructure of commerce and envisions that its customers will meet, work and live at Alibaba, and that it will be a good company that lasts for 102 years.

Tmall Network, being a consolidated entity of Alibaba Holding, is primarily involved in the operation of Tmall.

Tmall Technology, being an indirect wholly-owned subsidiary of Alibaba Holding, is primarily involved in the operation of Tmall.

DEFINITIONS

In this announcement, save as the context otherwise requires, the defined terms shall have the following meanings:

“2021 Announcement”	the announcement of the Company dated April 1, 2021 in relation to the existing continuing connected transactions contemplated under the 2021 Operating Service Agreement
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“2021 Operating Service Agreement”	the operating service agreement entered into between the Tmall Entities and Zhonglian Shengshi on April 1, 2021 in relation to the provision of certain operating services by Zhonglian Shengshi to Tmall Entities
“2024 Operating Service Agreement”	the operating service agreement entered into between the Tmall Entities and Shouquanbao on April 8, 2024, to renew the 2021 Operating Service Agreement
“Ali CV”	Ali CV Investment Holding Limited, a company incorporated in the Cayman Islands and a controlling shareholder of the Company, an indirect wholly-owned subsidiary of Alibaba Holding and a direct wholly-owned subsidiary of Alibaba Investment
“Alibaba Holding”	Alibaba Group Holding Limited (阿里巴巴集團控股有限公司), a company incorporated in the Cayman Islands, with its American depositary shares (each representing eight ordinary shares) listed on the New York Stock Exchange (stock symbol: BABA) and its ordinary shares listed on the Main Board of the Stock Exchange (stock code: 9988 (HKD counter) and 89988 (RMB counter)) and the ultimate controlling shareholder of the Company
“Alibaba Investment”	Alibaba Investment Limited, a company incorporated in the British Virgin Islands and a controlling shareholder of the Company and a direct wholly-owned subsidiary of Alibaba Holding
“Alibaba Group”	Alibaba Holding and its subsidiaries
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	board of Directors
“Company”	Alibaba Pictures Group Limited (阿里巴巴影業集團有限公司), a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1060)
“connected person”	has the meaning ascribed to it under the Listing Rules

“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“GMV”	gross merchandise volume for the Relevant Categories
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Merchants”	legal entity(ies) which conduct(s) sale of products or provide(s) services on Tmall
“Operating Services”	has the meaning ascribed to it under the section headed “THE 2024 OPERATING SERVICE AGREEMENT – Subject matter and pricing basis” in this announcement
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules
“PRC” or “China” or “Mainland China”	the People’s Republic of China and for the purposes of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Relevant Categories”	certain product categories offered on Tmall, namely action figures, animation and its derivatives, cosplay, board & card games
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Share(s)
“Shouquanbao”	阿里巴巴授權寶(天津)文化傳播有限公司(Alibaba Shouquanbao (Tianjin) Culture Communication Co., Ltd.*), a company incorporated under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Tmall”	a third-party online and mobile commerce platform for brands and retailers
“Tmall Entities”	Tmall Network and Tmall Technology
“Tmall Network”	浙江天貓網絡有限公司 (Zhejiang Tmall Network Co., Ltd.*), a company established under the laws of the PRC with limited liability and a consolidated entity of Alibaba Holding
“Tmall Technology”	浙江天貓技術有限公司 (Zhejiang Tmall Technology Co., Ltd.*), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of Alibaba Holding
“Zhonglian Shengshi”	中聯盛世文化(北京)有限公司 (Zhonglian Shengshi Culture (Beijing) Co., Ltd.*), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent

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

Hong Kong, April 8, 2024

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

* For identification purposes only