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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)

**CONTINUING CONNECTED TRANSACTIONS –
ADVERTISING SERVICES FRAMEWORK AGREEMENT**

**CONTINUING CONNECTED TRANSACTIONS – THE ADVERTISING SERVICES
FRAMEWORK AGREEMENT**

The Board announces that on June 25, 2024, Damai, a consolidated entity of the Company, and Youku Information, a consolidated entity of Alibaba Holding, entered into the Advertising Services Framework Agreement, pursuant to which Damai agreed to provide the Advertising Services to Youku Information Customers, subject to the relevant annual caps.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Youku Information is a consolidated entity of Alibaba Holding. 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 53.85% of the issued share capital of the Company, among which (i) 13,488,058,846 Shares are held by Ali CV, the wholly-owned subsidiary of Alibaba Investment, and (ii) 2,513,028,847 Shares are held by Alibaba Investment. Accordingly, each of Alibaba Holding and Youku Information is an associate of Alibaba Investment and thus a connected person of the Company. The entering into of the Advertising Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Reference is made to the announcements of the Company dated March 28, 2023 and March 28, 2024 in relation to, among others, the entering into of the 2023 Advertising Services and IP Commercialization Cooperation Framework Agreement and the automatic renewal of its term for a year, respectively. Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the 2023 Advertising Services and IP Commercialization Cooperation Framework Agreement and the transactions contemplated under the Advertising Services Framework Agreement should be aggregated. Accordingly, for the purpose of computation of the size tests, the relevant annual cap(s) set under the 2023 Advertising Services and IP Commercialization Cooperation Framework Agreement and the Advertising Services Framework Agreement, respectively, will be aggregated for each financial year of the Company.

As one or more applicable percentage ratios calculated with reference to the highest annual cap under the Advertising Services Framework Agreement (as aggregated with the corresponding annual cap under the 2023 Advertising Services and IP Commercialization Cooperation Framework Agreement for the relevant financial year) is more than 0.1% but less than 5%, the transactions contemplated thereunder are subject to reporting, annual review and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS – THE ADVERTISING SERVICES FRAMEWORK AGREEMENT

The Board announces that on June 25, 2024, Damai, a consolidated entity of the Company, and Youku Information, a consolidated entity of Alibaba Holding, entered into the Advertising Services Framework Agreement, pursuant to which Damai agreed to provide the Advertising Services to Youku Information Customers, subject to the relevant annual caps.

The principal terms of the Advertising Services Framework Agreement are as follows:

Date : June 25, 2024

Parties : (1) Damai
(2) Youku Information

Term : The period commencing from June 25, 2024 and ending on March 31, 2027.

Subject matter and pricing basis

Pursuant to the Advertising Services Framework Agreement, Damai may publish advertisements on Damai Platforms or in the Live Entertainment Projects for Youku Information Customers during the term of the cooperation (the “Advertising Services”).

The published price of the advertisements in respect of the Damai Platforms and the Live Entertainment Projects shall be subject to confirmation between the Parties.

Youku Information has the right to determine the Advertising Placement Fees for the hard-sell advertisements on Damai Platforms provided that such fees are agreed between both Parties. Except for the hard-sell advertisements, Damai has the right to determine the Advertising Placement Fees for other saleable advertisements (including but not limited to those in the Live Entertainment Projects).

Hard-sell advertisements

The minimum Advertising Placement Fees in respect of the hard-sell advertisements on Damai Platforms shall be calculated based on certain percentages of the published price of Damai (the “Applicable Percentages”).

Youku Information has the right to sell to its customers (i.e. the Youku Information Customers) at a premium to the minimum Advertising Placement Fees. Where sales are to be made at a discount or in a form of sale that is lower than the minimum Advertising Placement Fees (computed based on the Applicable Percentages), Youku Information shall obtain prior written consent of Damai before such sales are carried out.

Other saleable advertisements other than the hard-sell advertisements

For other saleable advertisements other than the hard-sell advertisements on Damai Platforms (including but not limited to those in the Live Entertainment Projects), Damai shall calculate the Advertising Placement Fees according to the actual order fees, and such Advertising Placement Fees shall be calculated based on the amount as confirmed between the Parties.

Services Fees

Unless otherwise agreed between the Parties, the services fee payable by Youku Information to Damai in respect of the Advertising Services during the term of the cooperation are calculated based on the following percentage of the corresponding Advertising Placement Fees (the “Services Fees”):

- (a) for the Advertising Services relating to advertisements in Live Entertainment Projects not sold by Youku Information through channel agents (i.e. direct customers), the Services Fees shall be fixed at a percentage of 90% of the Advertising Placement Fees; and
- (b) for the Advertising Services relating to the remaining advertisements (other than advertisements set out in paragraph (a) above) and the advertisements of Live Entertainment Projects sold by Youku Information through channel agents, the Services Fees shall be fixed at a percentage of 70% of the Advertising Placement Fees.

Payment terms

The Parties shall settle the Service Fees for the previous month at the beginning of each month. Damai shall upload the bill of the settlement amount to Youku Information for confirmation at least on the second working day at the beginning of the following month on the trading platform operated by the affiliates of Alibaba Holding (the “AGH Affiliates Trading Platform”). Upon confirmation of the relevant bill by Youku Information, Damai will issue a special value-added tax invoice for the equivalent amount (inclusive of 6% value-added tax) on the AGH Affiliates Trading Platform, and Youku Information shall, within 10 working days after receiving the said invoice from Damai, complete the settlement of the Service Fees on the AGH Affiliates Trading Platform.

The Parties may, subject to the relevant annual caps, from time to time enter into specific agreement(s) to set out detailed terms (including payment terms) of the transactions contemplated under the Advertising Services Framework Agreement. The terms of such specific agreement(s) must be on normal commercial terms or better.

ANNUAL CAPS AND DETERMINATION OF ANNUAL CAPS

The annual caps for the Services Fees payable by Youku Information and/or any of its affiliates to the Group under the Advertising Services Framework Agreement are fixed at RMB20,000,000, RMB24,000,000 and RMB28,800,000 for the financial years ending March 31, 2025, 2026 and 2027, respectively. Such annual caps are determined with reference to (i) the unaudited historical transaction amounts of approximately RMB8,400,000 for the financial year ended March 31, 2024 (among which, the transaction amounts fall within the de minimis exemption under Rule 14A.76 of the Listing Rules after the Group has completed the acquisition of Damai since late 2023); (ii) the historical usage and demand for the advertisements by Youku Information and/or any of its affiliates and the Youku Information Customers; (iii) the estimated total Service Fees payable by Youku Information and/or any of its affiliates to the Group under the Advertising Services Framework Agreement for the financial years ending March 31, 2025, 2026 and 2027, with reference to the estimated increasing demand for advertisements by the Youku Information Customers due to the resurgence and growth of the cultural and entertainment industry; and (iv) certain buffer of the corresponding maximum transaction amount to accommodate future unexpected demand for the Advertising Services.

The above information is based on the assumptions that the demand for the Advertising Services will grow steadily and is only estimated by the Company for the purpose of arriving at those annual caps, which is subject to change due to market conditions in the PRC and implementation of the relevant business plan of the Group and Youku Information.

INTERNAL CONTROL MEASURES

In order to ensure that the terms under the Advertising Services Framework Agreement for the continuing connected transactions are fair and reasonable, and the transactions are carried out based on normal or better commercial terms, the Group has adopted the following internal control measures:

- (i) the business operation department of the Company will from time to time review the pricing, payment terms and the utilization of the relevant annual caps to ensure that (a) the Advertisement Placement Fees payable by the Youku Information Customers are no more favourable than those offered to the customers of the Group (if any) that directly places advertisements on Damai Platforms or in Live Entertainment Projects, which are independent third parties, and (b) the Services Fees chargeable by the Group to Youku Information and/or any of its affiliates are no more favourable than those offered to independent third parties;

- (ii) the business operation department of the Company will from time to time check (or obtain) and compare the fee standards for similar type of the Advertising Services provided by two or more independent service providers to ensure that the Advertisement Placement Fees and the Services Fees chargeable shall be calculated in a manner equal to (or better than) the fee standards and calculations provided by independent service providers;
- (iii) the finance department of the Company, under the overall supervision of the Company's chief finance officer and the Board, will (a) obtain evidence internally or from Youku Information and/or any of its affiliates regarding the costs and expenses incurred; (b) monitor the transaction amounts in respect of the Advertising Services and review the management accounts on a quarterly basis and as required from time to time to ensure that the actual transaction amounts incurred with the Youku Information and/or any of its affiliates under the Advertising Services Framework 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;
- (iv) the independent non-executive Directors will conduct independent annual review on the abovementioned internal control measures and the transactions contemplated under the Advertising Services Framework 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;
- (v) the Company's auditors will conduct annual review on the pricing basis and the annual caps under Advertising Services Framework Agreement and report their findings and conclusions to the Board; and
- (vi) the Board will continue to review regularly the Company's internal control systems and its effectiveness.

REASONS FOR AND BENEFITS OF ENTERING INTO THE ADVERTISING SERVICES FRAMEWORK AGREEMENT

Youku Information operates via Youku platform, which has a large base of customers including well-known brands and benefits from having advertising sales teams with extensive experience in the cultural and entertainment industry. In light of the overlapping client bases between Youku platform and the Group's platforms and channels (such as the online ticketing platform "Tao Piao Piao"), the transactions contemplated under the Advertising Services Framework Agreement could maximize the use of, and the commercial value of, the Group's platforms and channels with less resources from the Group.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Advertising Services Framework Agreement and the relevant annual caps are fair and reasonable, the transactions contemplated thereunder are on normal commercial terms or better and that the entering into of the Advertising Services Framework Agreement and the transactions contemplated thereunder are 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, Youku Information is a consolidated entity of Alibaba Holding. 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 53.85% of the issued share capital of the Company, among which (i) 13,488,058,846 Shares are held by Ali CV, the wholly-owned subsidiary of Alibaba Investment, and (ii) 2,513,028,847 Shares are held by Alibaba Investment. Accordingly, each of Alibaba Holding and Youku Information is an associate of Alibaba Investment and thus a connected person of the Company. The entering into of the Advertising Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Reference is made to the announcements of the Company dated March 28, 2023 and March 28, 2024 in relation to, among others, the entering into of the 2023 Advertising Services and IP Commercialization Cooperation Framework Agreement and the automatic renewal of its term for a year, respectively. Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the 2023 Advertising Services and IP Commercialization Cooperation Framework Agreement and the transactions contemplated under the Advertising Services Framework Agreement should be aggregated. Accordingly, for the purpose of computation of the size tests, the relevant annual cap(s) set under the 2023 Advertising Services and IP Commercialization Cooperation Framework Agreement and the Advertising Services Framework Agreement, respectively, will be aggregated for each financial year of the Company.

As one or more applicable percentage ratios calculated with reference to the highest annual cap under the Advertising Services Framework Agreement (as aggregated with the corresponding annual cap under the 2023 Advertising Services and IP Commercialization Cooperation Framework Agreement for the relevant financial year) is more than 0.1% but less than 5%, the transactions contemplated thereunder are subject to reporting, annual review and announcement 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 Advertising Services Framework Agreement. Accordingly, they have abstained from voting on the related Board resolutions. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, other than those Directors, no other Directors have any material interest in the Advertising Services Framework Agreement and the transactions contemplated thereunder (including the annual caps related thereto), or are required to abstain from voting on the resolutions of the Board approving the same.

INFORMATION ABOUT THE PARTIES

The Company

The Company was incorporated in Bermuda and the Shares are listed and traded 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 five major segments: film investment, production, promotion and distribution, film ticketing and technology platform, Damai Business, drama series production and IP merchandising and innovative initiatives.

Damai

Damai, being a limited liability company established under the laws of the PRC, is a consolidated entity of the Company and engages in the entertainment businesses which involves the production, distribution and streaming of online program and online performance, operation of mobile apps and production and operation activities of radio and television programs.

Alibaba Holding and Youku Information

Alibaba Holding is a company incorporated in the Cayman Islands with its American depository shares, each representing eight ordinary shares, listed and traded on the New York Stock Exchange (stock symbol: BABA), and its ordinary shares listed and traded 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.

Youku Information, being a limited liability company established under the laws of the PRC and a consolidated entity of Alibaba Holding, is principally engaged in the business of providing online videos in the PRC on the Youku platform, which is one of the leading online video streaming websites in the PRC.

DEFINITIONS

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

“2023 Advertising Services and IP Commercialization Cooperation Framework Agreement”	the framework agreement dated March 28, 2023 entered into between 上海阿里巴巴影業有限公司 (Shanghai Alibaba Pictures Co., Ltd.*) and 北京優酷科技有限公司 (Beijing Youku Technology Co., Ltd.*) relating to certain advertising services and IP commercialization cooperation (as renewed on March 28, 2024)
“affiliate(s)”	any enterprise that controls, or is controlled by, one of the parties, or is under common control with the subject of one of the parties in the same entity, and for the purpose of this paragraph, “control” means the ownership, directly or indirectly, of more than fifty percent (50%) of the equity, voting or management rights of an enterprise
“Advertising Placement Fees”	in respect of the Advertising Services, the advertising amount placed by Youku Information and its affiliates to Youku Information Customers pursuant to the Advertising Services Framework Agreement, as calculated by Damai in accordance with its selling policy
“Advertising Services”	had the meaning ascribed to it under the section headed “CONTINUING CONNECTED TRANSACTIONS–THE ADVERTISING SERVICES FRAMEWORK AGREEMENT–Subject matter and pricing basis” of this announcement
“Advertising Services Framework Agreement”	the framework agreement dated June 25, 2024 entered into between Damai and Youku Information relating to the Advertising Services
“AGH Affiliates Trading Platform”	had the meaning ascribed to it under the section headed “CONTINUING CONNECTED TRANSACTIONS–THE ADVERTISING SERVICES FRAMEWORK AGREEMENT–Payment terms” of this announcement
“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 Group”	Alibaba Holding and its subsidiaries
“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 and traded on the New York Stock Exchange (stock symbol: BABA) and its ordinary shares listed and traded 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
“Applicable Percentages”	had the meaning ascribed to it under the section headed “CONTINUING CONNECTED TRANSACTIONS – THE ADVERTISING SERVICES FRAMEWORK AGREEMENT – Subject matter and pricing basis” of this announcement
“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 and traded 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
“Damai”	北京大麥文化傳媒發展有限公司(Beijing Damai Cultural Media Development Co., Ltd.*), a company established under the laws of the PRC with limited liability and a consolidated entity of the Company
“Damai Business”	the live entertainment business managed and operated by Damai

“Damai Platforms”	all kinds of online platforms operated by Damai and/or any of its affiliates, including but not limited to the website of Damai, Damai APP, the self-owned stores and small programs operated on each platform operated by Damai as well as M Station (m.damai.cn)
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“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
“Live Entertainment Projects”	the live performance projects that Damai has the rights to carry out commercial development, investment and implementation
“Parties”	the parties to the Advertising Services Framework Agreement
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules
“PRC”	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
“RMB”	Renminbi, the lawful currency of the PRC
“Service Fees”	had the meaning ascribed to it under the section headed “CONTINUING CONNECTED TRANSACTIONS – THE ADVERTISING SERVICES FRAMEWORK AGREEMENT – Subject matter and pricing basis” of this announcement
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

“Youku Information”	優酷信息技術(北京)有限公司(Youku Information Technology (Beijing) Co., Ltd.*), a company established under the laws of the PRC with limited liability and a consolidated entity of Alibaba Holding
“Youku Information Customers”	the entities that Youku Information and its affiliates represent to advertise and promote their products and services to users through Damai Platforms
“%”	per cent

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

Hong Kong, June 25, 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*