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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 -
COMMISSIONED PRODUCTION COOPERATION
FRAMEWORK AGREEMENT**

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PRODUCTION COOPERATION FRAMEWORK AGREEMENT**

The Board announces that on September 3, 2024, Zhonglian Shengshi, an indirect wholly-owned subsidiary of the Company, and Youku Information, a consolidated entity of Alibaba Holding, entered into the Commissioned Production Cooperation Framework Agreement, pursuant to which the Relevant ZS Members may, subject to the relevant annual caps, enter into specific agreement(s) to commission the Relevant Youku Members to provide the Commissioned Production Services.

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 Commissioned Production Cooperation Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more applicable percentage ratios calculated with reference to the highest annual cap under the Commissioned Production Cooperation Framework Agreement 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 COMMISSIONED PRODUCTION COOPERATION FRAMEWORK AGREEMENT

The Board announces that on September 3, 2024, Zhonglian Shengshi, an indirect wholly-owned subsidiary of the Company, and Youku Information, a consolidated entity of Alibaba Holding, entered into the Commissioned Production Cooperation Framework Agreement, pursuant to which the Relevant ZS Members may, subject to the relevant annual caps, enter into specific agreement(s) to commission the Relevant Youku Members to provide the Commissioned Production Services.

The principal terms of the Commissioned Production Cooperation Framework Agreement are as follows:

Date : September 3, 2024

Parties : (1) Zhonglian Shengshi (as the commissioning party); and
(2) Youku Information (as the commissioned party)

Term : The period commencing from September 3, 2024 and ending on March 31, 2026.

Subject matter and pricing basis

Pursuant to the Commissioned Production Cooperation Framework Agreement, the Relevant ZS Members and/or other investors of the Shows and/or the Movies and Dramas may commission the Relevant Youku Members to undertake production of projects relating to the Shows and the Movies and Dramas according to the instructions of the Relevant ZS Members, including without limitation, shooting, artificial intelligence model creation/training, video editing, special effects creation, press-show creation, model training, digital intermediate post-production and materials production (collectively, the “Commissioned Production Services”).

The total fees payable by Relevant ZS Members to the Relevant Youku Members in respect of the Commissioned Production Services (the “Service Fees”) shall be determined on a cost-plus basis as follows:

Service Fees = Agreed-upon production costs \times (1+ a mark-up percentage ranging from 5% to 25%),

where (i) the production costs shall include, among others, (A) the labour costs to be calculated with reference to number of staff members involved, their expertise and capabilities and the market rates; and (B) the computational costs; and (ii) the actual mark-up percentage will be reasonably determined with reference to, among others, the agreed-upon or the actual quality ratings of the Shows and/or Movies and Dramas (as applicable) based on the quality rating system of the Relevant ZS Members.

Alternatively, the Relevant ZS Members and the Relevant Youku Members may agree on a different pricing basis in respect of the Service Fees on an arm’s length basis, subject to compliance with all applicable requirements of the Listing Rules.

Payment terms and specific agreements

The Relevant ZS Members and the Relevant Youku Members 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 Commissioned Production Cooperation 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 Service Fees payable by the Relevant ZS Members to the Relevant Youku Members under the Commissioned Production Cooperation Framework Agreement are fixed at RMB80,000,000 and RMB100,000,000 for the financial years ending March 31, 2025 and 2026, respectively. Such annual caps are determined with reference to (i) the historical transaction amount for the financial year ended March 31, 2024 and the unaudited historical transaction amount for the four months ended July 31, 2024 in respect of similar services with the Relevant ZS Members, both of which were nil; (ii) the estimated total Service Fees payable by the Relevant ZS Members to the Relevant Youku Members under the Commissioned Production Cooperation Framework Agreement, which are anticipated to be in the range of approximately RMB65,000,000 to approximately RMB70,000,000 based on the Shows and/or the Movies and Dramas currently in pipeline and the current business plan of the Group; and (iii) certain buffer of the corresponding maximum transaction amount to accommodate future business growth of the Group for the Commissioned Production Services.

The above information is based on the assumptions that the demands for the Commissioned Production 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.

INTERNAL CONTROL MEASURES

In order to ensure that the terms under the Commissioned Production Cooperation 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 the Service Fees chargeable by Relevant Youku Members are no less 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 the same type of the Commissioned Production Services provided by two or more independent service providers to ensure that the relevant Service Fees 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 the Relevant Youku Members regarding the costs and expenses incurred; (b) monitor the transaction amounts in respect of the Commissioned Production 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 Relevant Youku Members under the Commissioned Production Cooperation 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 Commissioned Production Cooperation 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 Commissioned Production Cooperation 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 COMMISSIONED PRODUCTION COOPERATION FRAMEWORK AGREEMENT

Youku Information operates one of the leading online video and streaming service platforms in the PRC, delivering and producing a variety of shows and dramas to a large customer base in the PRC and overseas. The Board believes that the collaboration with Youku Information under the Commissioned Production Cooperation Framework Agreement will enable the Group to leverage Youku Information's expertise and experiences in producing high-quality contents of the Shows and the Movies and Dramas, thereby strengthening the Group's market competitiveness in content production as well as bringing more business opportunities for the Group.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Commissioned Production Cooperation 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 Commissioned Production Cooperation 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 Commissioned Production Cooperation Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more applicable percentage ratios calculated with reference to the highest annual cap under the Commissioned Production Cooperation Framework Agreement 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 Commissioned Production Cooperation 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 Commissioned Production Cooperation 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.

Zhonglian Shengshi

Zhonglian Shengshi, being a limited liability company established under the laws of the PRC, is an indirect wholly-owned subsidiary of the Company. It serves mainly administrative management or support and investment holding purposes for the Group.

Alibaba Holding and Youku Information

Alibaba Holding is 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 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:

“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
“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 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
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	board of Directors
“Children’s Show(s)”	include, among others, variety shows, television programs and short dramas for children
“Commissioned Production Cooperation Framework Agreement”	the commissioned production cooperation framework agreement dated September 3, 2024 and entered into between Zhonglian Shengshi and Youku Information with respect to the provision of the Commissioned Production Services
“Commissioned Production Services”	has the meaning ascribed to it under section headed “CONTINUING CONNECTED TRANSACTIONS – THE COMMISSIONED PRODUCTION COOPERATION FRAMEWORK AGREEMENT – Subject matter and pricing basis” of this announcement
“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
“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
“Movies and Dramas”	include among others, movies, online movies, TV dramas and online dramas
“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
“Relevant Youku Members”	Youku Information and/or its affiliates
“Relevant ZS Members”	Zhonglian Shengshi and/or its affiliates
“RMB”	Renminbi, the lawful currency of the PRC
“Service Fees”	had the meaning ascribed to it under the section headed “CONTINUING CONNECTED TRANSACTIONS – THE COMMISSIONED PRODUCTION COOPERATION FRAMEWORK AGREEMENT – Subject matter and pricing basis” of this announcement
“Shareholder(s)”	holder(s) of the Share(s)

“Show(s)”	all types of shows and programs, including the Variety Shows and the Children’s Shows
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Variety Show(s)”	include, among others, any type of variety shows, variety videos, pan-cultural and pan-entertainment programs
“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
“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, September 3, 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*