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*(Incorporated in Bermuda with limited liability)*  
(Stock Code: 1060)

**CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO  
(1) TRANSFER OF COPYRIGHTS OF TARGET DRAMAS AND MOVIES,  
(2) PROVISION OF OTHER COMMERCIAL DEVELOPMENT  
SERVICES  
AND  
(3) PROVISION OF DISTRIBUTION SERVICES FOR TV  
BROADCASTING RIGHTS**

**THE FRAMEWORK AGREEMENT**

The Board announces that, on August 6, 2019, Huameng, a consolidated subsidiary of the Company, entered into the Framework Agreement with Youku Technology, pursuant to which the parties agreed that (1) Huameng and/or any of its affiliates may transfer to Youku Technology and/or any of its affiliates, and/or authorize Youku Technology and/or any of its affiliates to use, all or parts of its Copyrights of the Target Dramas and Movies; and (2) Youku Technology and/or any of its affiliates may entrust Huameng 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 Dramas and Movies, subject to the relevant Annual Caps.

**LISTING RULES IMPLICATIONS**

Youku Technology is an indirect subsidiary of AGH. AGH is the ultimate sole shareholder of Ali CV which is a substantial shareholder and a connected person of the Company holding approximately 50.65% of the issued share capital of the Company as at the date of this announcement. Accordingly, Youku Technology is an associate of Ali CV and hence a connected person of the Company. The entering into of the Framework Agreement and the

transactions contemplated thereunder (including the Annual Caps) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios as defined in the Listing Rules in respect of the highest Annual Cap for the fees chargeable by Huameng and/or any of its affiliates to Youku Technology and/or any of its affiliates exceeds 5%, the transactions contemplated under the Framework Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **GENERAL**

The Company will convene the SGM for the purpose of seeking approval from the Independent Shareholders on, among other things, the Framework Agreement, the transactions contemplated thereunder and the Annual Caps. Voting at the SGM will be conducted by poll and Ali CV and its associates will abstain from voting at the SGM. The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps). The Company has appointed Platinum as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders.

A circular containing, among other things: (i) further details of the transactions contemplated under the Framework Agreement; (ii) the recommendations of the Independent Board Committee; (iii) the advice of the Independent Financial Adviser; and (iv) notice of the SGM, will be despatched to the Shareholders on or before August 27, 2019 in accordance with the requirements of the Listing Rules.

## **THE FRAMEWORK AGREEMENT**

### **Date**

August 6, 2019

### **Parties**

- (1) Huameng, a consolidated subsidiary of the Company; and
- (2) Youku Technology, an indirect subsidiary of AGH and a connected person of the Company

### **Term and conditions precedent**

Subject to the Company having obtained the approval of the Board and the Independent Shareholders at the SGM by way of poll for the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) in accordance with the Listing Rules, the term of the transactions contemplated under the Framework Agreement shall commence on the Effective Date and end on March 31, 2022.

## Principal terms

### 1. Transfer of Copyrights of Target Dramas and Movies

Huameng and/or any of its affiliates may transfer all or part of the rights attached to the Copyrights of the Target Dramas and Movies to Youku Technology and/or any of its affiliates, and/or authorize Youku Technology and/or any of its affiliates to use such rights. Both parties further agreed that the maximum length of the Target Dramas and Movies to be purchased by Youku Technology and/or any of its affiliates from Huameng and/or any of its affiliates would be capped at 12,000 minutes for each of the periods from the Effective Date to March 31, 2020 and the two financial years ending March 31, 2021 and March 31, 2022.

The price for the transfer and/or authorization of the Copyrights of the Target Dramas and Movies (the “Purchase Price”) shall be calculated as follows:

#### (i) *TV and online dramas*

$$\begin{array}{rclclcl} \text{Purchase} & = & \text{actual production cost} & + & \text{contingent} & + & \text{contingent} \\ \text{Price} & & \text{of the TV and online} & & \text{premium} & & \text{allocation share} \\ & & \text{dramas} & & \text{share} & & \end{array}$$

where:

- the “contingent premium share” shall be no less than 5% of the actual production cost of the TV and online dramas and shall be calculated with reference to the rating of the TV and online dramas to be determined by the scoring system (i.e. assessment based on various factors, such as themes of the scripts, plots, production crews, the quality of shooting and the professional quality of directors and actors) as set up by Youku Technology (the “Scoring System”) and to be agreed upon mutual negotiation between the parties, and
- the “contingent allocation share” is to be ascertained with reference to the popularity ranking, the total number of broadcasts or the ranking in terms of the annual number of broadcasts of the TV and online dramas on Youku and/or other criteria to be further mutually and reasonably agreed by the parties.

#### (ii) *Movies*

$$\text{Purchase Price} = \text{fixed price/tiered pricing} + \text{contingent allocation share}$$

where:

- the “fixed price/tiered pricing” is to be calculated with reference to the total box office revenue of the movies in the PRC, comparable prices from any independent third party and the rating of the movies to be determined by the Scoring System and to be agreed upon mutual negotiation between the parties, and
- the “contingent allocation share” is to be ascertained with reference to the quality ranking to be attained upon the release of the movies on Youku and/or other criteria to be further mutually and reasonably agreed by the parties.

2. Provision of Other Commercial Development Services

(i) *Provision of Advertisement Solicitation Services*

Youku Technology and/or any of its affiliates may entrust Huameng and/or any of its affiliates to provide all or part of the solicitation services for scheduled advertisements in relation to any Dramas and Movies to be broadcasted on Youku (the “Advertisement Solicitation Services”).

If Huameng and/or any of its affiliates succeed in introducing clients for placing scheduled advertisements for any Dramas and Movies on Youku, Huameng and/or any of its affiliates will be entitled to collect service fee from Youku Technology and/or any of its affiliates, which shall be calculated as follows:

$$\text{Service fee} = \text{revenue to be generated from scheduled advertisements on Youku} \times \text{allocation share}$$

where:

the “allocation share” is to be reasonably determined by the parties with reference to factors, including but not limited to, the degree of difficulty in exploring business opportunities for scheduled advertisements on Youku and the impacts of the Dramas and Movies on the market. Where Huameng and/or any of its affiliates provide the production services for scheduled advertisements on Youku, Youku Technology and/or any of its affiliates shall reimburse Huameng and/or any of its affiliates for all the relevant costs, such as cost of shooting and production and taxes. An aggregate sum of the service fee and the relevant costs to be payable to Huameng and/or any of its affiliates shall be in a range between 20% and 50% of the revenue to be generated from scheduled advertisements on Youku.

(ii) *Provision of Commercial Development Solicitation Services*

Youku Technology and/or any of its affiliates may entrust Huameng and/or any of its affiliates to provide all or part of the solicitation services for the Commercial Development of Dramas and Movies on Youku (the "Commercial Development Solicitation Services").

If Huameng and/or any of its affiliates succeed in introducing clients for the Commercial Development of any Dramas and Movies on Youku, Huameng and/or any of its affiliates will be entitled to collect service fee from Youku Technology and/or any of its affiliates, which shall be calculated as follows:

$$\text{Service fee} = \text{revenue to be generated from the Commercial Development} \times \text{allocation share}$$

where:

the "allocation share" is to be agreed by both parties with regard to such factors, including but not limited to, the number of clients, the estimated transaction amounts, impacts of the results of the Commercial Development on the Dramas and Movies, the production costs, the implementation costs, comparable prices from any independent third party, and the rating of the Dramas and Movies to be determined by the Scoring System and to be agreed upon mutual negotiation between the parties. Where Huameng and/or any of its affiliates carry out the implementation work on the Commercial Development, Youku Technology and/or any of its affiliates shall reimburse Huameng and/or any of its affiliates for all the relevant costs, such as cost of shooting and production and taxes. An aggregate sum of the service fee and the relevant costs to be payable to Huameng and/or any of its affiliates shall be in a range between 20% and 50% of the revenue to be generated from the Commercial Development.

3. Provision of Distribution Services for TV Broadcasting Rights

Youku Technology and/or any of its affiliates may entrust Huameng and/or any of its affiliates to arrange for transfer and/or authorization of the use of its TV broadcasting rights in any Dramas and Movies (the "Distribution Services"), whereby Huameng and/or any of its affiliates are entitled to collect from Youku Technology and/or any of its affiliates an agency fee which shall be calculated as follows:

$$\text{Agency fee} = \text{revenue from distribution of the TV broadcasting rights} \times \text{allocation share}$$

where:

the "allocation share" shall be in a range between 5% and 15% of the revenue to be generated from distribution of the TV broadcasting rights and shall be reasonably determined by both parties having regard to factors, including but not limited to, the complexity of carrying out the Distribution Services, the estimated amount of revenue to

be generated from the Distribution Services and the market practice. Youku Technology and/or any of its affiliates shall reimburse Huameng and/or any of its affiliates for any distribution fee paid by Huameng and/or any of its affiliates.

In any event, all of the above fees chargeable by Huameng and/or any of its affiliates to Youku Technology and/or any of its affiliates will not be more favourable to Youku Technology and/or any of its affiliates, nor are they less favourable to Huameng and/or any of its affiliates, than those available to or from any independent third party under the same or similar conditions. The Group will from time to time review such fees by comparing them against the fees for comparable cooperation chargeable by the Group to any independent third party.

## **SPECIFIC AGREEMENTS**

Huameng and/or any of its affiliates and Youku Technology and/or any of its affiliates may from time to time enter into specific agreements which set out the detailed terms of the transactions (including payment terms) contemplated under the Framework Agreement in accordance with the terms of the Framework Agreement. The terms of the specific agreements will be negotiated on an arm's length basis between the parties.

## **ANNUAL CAPS AND BASIS OF DETERMINATION OF ANNUAL CAPS**

The expected annual maximum transaction amounts chargeable by Huameng and/or any of its affiliates to Youku Technology and/or any of its affiliates for the below transactions contemplated under the Framework Agreement for the three financial years ending on March 31, 2020, March 31, 2021 and March 31, 2022 are set out below:

	<b>For the financial year ending</b>		
	<b>March 31, 2020</b> <i>(RMB'000)</i>	<b>March 31, 2021</b> <i>(RMB'000)</i>	<b>March 31, 2022</b> <i>(RMB'000)</i>
1. Total revenue from the transfer of Copyrights of Target Dramas and Movies	550,000	550,000	550,000
2. Total fee for other commercial development services	10,000	10,000	10,000
3. Total agency fees for the Distribution Services	40,000	40,000	40,000
Total (i.e. Annual Cap):	600,000	600,000	600,000

The Annual Caps are determined with reference to the annual business plans of the Group in relation to the production and distribution of the Dramas and Movies, having considered (a) the market demand for and trends of the Dramas and Movies production industry; (b) the development and production pipeline, production budget, investment share, production crew of

the Dramas and Movies; (c) the market influence of Dramas and Movies; (d) the box office target of movies; and (e) the potentiality for providing other commercial development services.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENT**

The entering into of the Framework Agreement enables the Group to fully utilize and integrate the resources within the Alibaba Group. It will also enable the Group to leverage its unique advantage derived from the entire industry chain and all ecosystems within, thereby unifying upstream and downstream operations, as well as online and offline channels throughout the industry chain with its strengths in relevant data and ecosystems. Furthermore, the Framework Agreement can also enhance the professionalism and exposure of the production team of the Group that can in turn assist the Group in producing quality Dramas and Movies throughout the upstream and downstream markets of Dramas and Movies and can increase the market penetration of the Group in the Dramas and Movies production industry.

The Directors (other than the independent non-executive Directors whose opinion will be provided after reviewing the advice of the Independent Financial Adviser) consider that the transactions contemplated under the Framework Agreement are entered into in the ordinary and usual course of business of the Company and its subsidiaries, on normal commercial terms after arm's length negotiations between the parties, and the terms of those transactions together with the Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Youku Technology is an indirect subsidiary of AGH. AGH is the ultimate sole shareholder of Ali CV which is a substantial shareholder and a connected person of the Company holding approximately 50.65% of the issued share capital of the Company as at the date of this announcement. Accordingly, Youku Technology is an associate of Ali CV and hence a connected person of the Company. The entering into of the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios as defined in the Listing Rules in respect of the highest Annual Cap for the fees chargeable by Huameng and/or any of its affiliates to Youku Technology and/or any of its affiliates exceeds 5%, the transactions contemplated under the Framework Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **GENERAL**

The Company will convene the SGM for the purpose of seeking approval from the Independent Shareholders on, among other things, the Framework Agreement, the transactions contemplated thereunder and the Annual Caps. Voting at the SGM will be conducted by poll and Ali CV and its associates will abstain from voting at the SGM. The Independent Board Committee

comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps). The Company has appointed Platinum as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders.

A circular containing, among other things: (i) further details of the transactions contemplated under the Framework Agreement; (ii) the recommendations of the Independent Board Committee; (iii) the advice of the Independent Financial Adviser; and (iv) notice of the SGM, will be despatched to the Shareholders on or before August 27, 2019 in accordance with the requirements of the Listing Rules.

## **INFORMATION ON THE COMPANY AND HUAMENG**

The Company is listed on both the Stock Exchange (stock code: 1060) and the Singapore Exchange Securities Trading Limited (stock code: S91). The Company 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 three major segments: (i) Internet-based promotion and distribution, (ii) content production, and (iii) integrated development. These segments encompass (i) the operation of an integrated online-to-offline (O2O) platform for the promotion and distribution of entertainment content, and the provision of online movie ticketing service to consumers and ticket issuance system to cinemas; (ii) the investment and production of entertainment content such as film and drama series both domestically and internationally; and (iii) centered around copyrights, the development of professional services ranging from financing, business placement, promotion and distribution to merchandising, respectively.

Huameng, being a company established under the laws of the PRC, is a consolidated subsidiary of the Company which is principally engaged in production of broadcasting & television programs.

## **INFORMATION ON AGH, ALIBABA GROUP AND YOUKU TECHNOLOGY**

AGH is a company incorporated in the Cayman Islands and its American depository shares are listed on the New York Stock Exchange (stock code: BABA).

Alibaba Group's mission is to make it easy to do business anywhere and Alibaba Group aims to achieve sustainable growth for 102 years. Alibaba Group's businesses are comprised of core commerce, cloud computing, digital media and entertainment and innovation initiatives.

Youku Technology, a company established under the laws of the PRC and an indirect subsidiary of AGH, is principally engaged in IP management, business planning and technology development.



## DEFINITIONS

Unless otherwise stated, the following expressions have the following meanings in this announcement:

“Advertisement Solicitation Services”	has the meaning ascribed to it under the section headed “THE FRAMEWORK AGREEMENT – Principal terms – 2. Provision of Other Commercial Development Services – (i) Provision of Advertisement Solicitation Services” in this announcement
“affiliate(s)”	with respect to any designated entity, any other entity that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such entity; for the purpose of this announcement, Youku Technology together with its affiliates and the Company together with its subsidiaries shall not be deemed to be an affiliate of each other
“AGH”	Alibaba Group Holding Limited, a company incorporated in the Cayman Islands and the American depositary shares of which are listed on the New York Stock Exchange
“Ali CV”	Ali CV Investment Holding Limited, a company incorporated in the Cayman Islands and an indirect wholly-owned subsidiary of AGH
“Alibaba Group”	AGH and its subsidiaries
“Annual Caps”	the expected annual maximum transaction amounts chargeable by Huameng and/or any of its affiliates to Youku Technology and/or any of its affiliates in respect of the transactions contemplated under the Framework Agreement for the three financial years ending March 31, 2020, March 31, 2021 and March 31, 2022, and each an “Annual Cap”
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Alibaba Pictures Group Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange with stock code 1060, which also has a secondary listing on the Singapore Exchange Securities Trading Limited (stock code: S91)

“Commercial Development”	use, permission to use and/or transfer of any rights attached to Dramas and Movies (other than distribution), such as sponsorship, advertising, derivative development, video game development and use of characters’ images
“Commercial Development Solicitation Services”	has the meaning ascribed to it under the section headed “THE FRAMEWORK AGREEMENT – Principal terms – 2. Provision of Other Commercial Development Services – (ii) <i>Provision of Commercial Development Solicitation Services</i> ” in this announcement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Copyrights”	the copyrights, including rights of publication, authorship, alteration, integrity, reproduction, distribution, rental, exhibition, performance, release, broadcasting, online dissemination, shooting and production, adaption, translation, compiling and other rights to which the copyright owner is entitled to
“Directors”	the directors of the Company
“Distribution Services”	has the meaning ascribed to it under the section headed “THE FRAMEWORK AGREEMENT – Principal terms – 3. Provision of Distribution Services for TV Broadcasting Rights” in this announcement
“Dramas and Movies”	collectively, the movies, TV dramas and online dramas
“Effective Date”	the date on which all conditions precedent under the Framework Agreement, details of which are set out in the section headed “THE FRAMEWORK AGREEMENT - Term and Conditions Precedent” in this announcement, having been satisfied
“Framework Agreement”	the framework agreement entered into between Huameng and Youku Technology on August 6, 2019 in relation to the transfer of Copyrights of the Target Dramas and Movies, provision of other commercial development services, including provision of the Advertisement Solicitation Services and the Commercial Development Solicitation Services, and the provision of the Distribution Services
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huameng”	華盟 ( 天津 ) 文化傳媒有限公司 (Huameng (Tianjin) Culture Media Co., Ltd.*) (formerly known as 華盟 ( 天津 ) 文化投資有限公司 (Huameng (Tianjin) Culture Investment Co., Ltd.*)), a company established in the PRC with limited liability and a consolidated subsidiary of the Company
“Independent Board Committee”	the independent committee of the Board, comprising Ms. Song Lixin, Mr. Tong Xiaomeng and Mr. Johnny Chen, being the independent non-executive Directors, formed to advise the Independent Shareholders on the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Independent Financial Adviser” or “Platinum”	Platinum Securities Company Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), being appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Independent Shareholders”	Shareholders, other than Ali CV and its respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region and Taiwan
“Purchase Price”	has the meaning ascribed to it under the section headed “THE FRAMEWORK AGREEMENT – Principal terms - Transfer of Copyrights of Target Dramas and Movies” in this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Scoring System”	has the meaning ascribed to it under the section headed “THE FRAMEWORK AGREEMENT – Principal terms – Transfer of Copyrights of Target Dramas and Movies” in this announcement

“SGM”	the special general meeting of the Company to be convened for the Independent Shareholders to consider, and vote on, the Framework Agreement and the transactions contemplated thereunder and the Annual Caps
“Share(s)”	ordinary share(s) of HK\$0.25 each in the share capital of the Company
“Shareholders”	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
“Target Dramas and Movies”	collectively, the movies, TV and online dramas, the copyrights of which are owned by Huameng and/or any of its affiliates
“TV”	television
“Youku”	an online video and streaming service platform operated by Youku Technology’s affiliate
“Youku Technology”	北京優酷科技有限公司 (Beijing Youku Technology Co., Ltd.*), a company established in the PRC with limited liability and an indirect subsidiary of AGH
“%”	per cent

\* For identification purposes only

On behalf of the Board  
**Alibaba Pictures Group Limited**  
**Fan Luyuan**  
*Chairman & Chief Executive Officer*

Hong Kong, August 6, 2019

*As at the date of this announcement, the Board comprises Mr. Fan Luyuan and Mr. Meng Jun, being the executive Directors; Ms. Zhang Yu and Mr. Chang Yang, being the non-executive Directors; and Ms. Song Lixin, Mr. Tong Xiaomeng and Mr. Johnny Chen, being the independent non-executive Directors.*