
RELATED PARTY TRANSACTIONS

We are seeking a listing on the Hong Kong Stock Exchange pursuant to Chapter 19C of the Hong Kong Listing Rules. Pursuant to Rule 19C.11 of the Hong Kong Listing Rules, Chapter 14A of the Hong Kong Listing Rules governing connected transactions does not apply to us. The following discussion of related party transactions has been prepared pursuant to the requirements of Form 20-F of the SEC, and is included in this prospectus for disclosure purposes only.

Our Related Party Transaction Policy

In order to prevent risks of conflicts of interest or the appearance of conflicts of interest, all of our directors and employees are subject to our code of business conduct and other policies which require, among other things, that any potential transaction between us and an employee or director, their relatives and closely connected persons and certain entities in which they, their relatives or closely connected persons have an interest be approved in writing by an appropriate supervisor or compliance officer.

We have also adopted a related party transaction policy to which all of our directors, senior management and other key management personnel, all close family members (as defined in the policy) of the foregoing individuals, Ant Financial and its subsidiaries as well as the Alibaba Partnership and certain other related entities are subject. Related party transactions defined under this policy, as required by Form 20-F of the SEC, include transactions with our directors, senior management and major shareholders and their affiliates, as well as transactions with parties that do not pose risks of conflicts of interest, such as transactions with our investee companies that are not otherwise affiliated with any of the foregoing individuals. This policy is intended to supplement the procedures set forth in our code of business conduct and our other corporate governance policies and does not exempt any person from more restrictive provisions that may exist in our existing procedures and policies.

This related party transaction policy provides, among other things, that, unless otherwise pre-approved by our board of directors:

- each related party transaction, and any material amendment or modification to a related party transaction, shall be adequately disclosed to, and reviewed and approved or ratified by, our audit committee or any committee composed solely of disinterested independent directors or by the disinterested members of such committee; and
- any employment relationship or similar transaction involving our directors or senior management and any related compensation shall be approved by the disinterested members of our compensation committee or recommended by the disinterested members of the compensation committee to our board for its approval.

Our related party transaction policy, code of business conduct and our other corporate governance policies are subject to periodic review and revision by our board.

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Summary of Major Related Party Transactions

As disclosed in greater detail in the following paragraphs, the table below summarizes the major related party transactions in fiscal years 2017, 2018, 2019 and the three months ended June 30, 2019.

Related Party	Transaction Description
SoftBank	<ul style="list-style-type: none">• Voting agreement among us, Jack Ma, Joe Tsai, SoftBank and Alibaba which, among others, provides that SoftBank, Alibaba, Jack Ma and Joe Tsai will vote their shares in favor of the Alibaba Partnership director nominees, and provides SoftBank with the right to nominate a director• Various investments involving SoftBank
Alibaba	<ul style="list-style-type: none">• Voting agreement among us, Jack Ma, Joe Tsai, SoftBank and Alibaba which, among others, provides that SoftBank, Alibaba, Jack Ma and Joe Tsai will vote their shares in favor of the Alibaba Partnership director nominees, and provides SoftBank with the right to nominate a director
Ant Financial and its affiliates	<ul style="list-style-type: none">• Alipay provides payment and escrow services to us• the SAPA, which was amended in 2018 and 2019, and provides a series of transactions, including our acquisition of the 33% equity interest in Ant Financial• 2014 IPLA, a proposed amendment to which was subsequently entered into in 2019 upon our receipt of the 33% equity interest in Ant Financial, or the Amended IPLA, and provides that we and our subsidiaries license to Ant Financial and/or its subsidiaries certain intellectual property rights and provide various software technology services, and, prior to our receipt of the 33% equity interest in Ant Financial, Ant Financial paid us profit share payments; pursuant to the SAPA, a cross-license agreement was entered into in September 2019 upon our receipt of the 33% equity interest in Ant Financial• We, Ant Financial, our controlled affiliates and certain other affiliates, contribute all data collected or generated (subject to applicable law, industry rules and contractual requirements) to a data platform that we operate and maintain, and to which all of the full data sharing participants will have access

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<u>Related Party</u>	<u>Transaction Description</u>
	<ul style="list-style-type: none">• We and Ant Financial cooperate with each other with respect to the enforcement of each other's rights and the provision of certain financial services to our customers and merchants in connection with the SME loan business• We granted Ant Financial a license for it to continue to use certain trademarks and domain names• We and Ant Financial provide certain administrative and support services to each other and our respective affiliates• We and Ant Financial provide various other services to each other• Various investments involving Ant Financial• We have awarded RSUs and granted options to acquire our Shares to employees of Ant Financial and its subsidiaries; Junhan, a major equity holder of Ant Financial, has granted certain share-based awards similar to share appreciation awards linked to the valuation of Ant Financial to certain of our employees; Ant Financial, through its subsidiary, has granted certain RSUs to certain of our employees
Alibaba Pictures	<ul style="list-style-type: none">• We subscribed for newly issued ordinary shares of Alibaba Pictures and it became our consolidated subsidiary
Jack Ma, Joe Tsai, and J. Michael Evans	<ul style="list-style-type: none">• We agreed to assume the cost of maintenance, crew and operation of the personal aircrafts of these directors and officers where the cost is allocated for business purposes
Investment funds affiliated with Jack Ma	<ul style="list-style-type: none">• Various investments involving the Yunfeng Funds, investment funds affiliated with Jack Ma

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<u>Related Party</u>	<u>Transaction Description</u>
Jack Ma	<ul style="list-style-type: none">• Made certain commitments to us relating to his interest in Ant Financial, the Yunfeng Funds and other entities• In connection with strengthening our strategic cooperation with Wasu, we entered into financing arrangements with a limited partner of a PRC limited partnership that invested in Wasu. A company controlled by Jack Ma serves as one of the general partners of the PRC limited partnership
Cainiao Network	<p>Before Cainiao Network became our consolidated subsidiary in October 2017,</p> <ul style="list-style-type: none">• Cainiao Network provided logistics services to us• We provided Cainiao Network with various administrative and support services
Weibo	<ul style="list-style-type: none">• Weibo provides us with certain marketing services• We provide Weibo with certain cloud computing services
Investees	<ul style="list-style-type: none">• We have commercial arrangements with certain of our investees and other related parties to provide and receive certain marketing, logistics, traffic acquisition, cloud computing and other services• We extended loans to certain of our investees• We have made co-investments with certain of our investees
Variable interest entities and variable interest entity equity holders	<ul style="list-style-type: none">• We operate certain of our businesses in China through contractual arrangements between our wholly owned entities, our variable interest entities and variable interest entity equity holders
Directors and executive officers	<ul style="list-style-type: none">• We entered into indemnification agreements with our directors and executive officers• We entered into employment agreements with our directors and executive officers• We grant equity incentive awards to our directors and executive officers

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The following table summarizes the services fees paid to certain related parties in the periods indicated.

Related Party	Transaction	Year Ended March 31,			Three months ended June 30,		
		2017	2018	2019	2018	2019	
		RMB	RMB	RMB	RMB	RMB	US\$
							(unaudited) (in millions)
Ant Financial and its affiliates	Payment processing and escrow services fee	5,487	6,295	8,252	1,739	2,281	332
	Administrative and support services	15	84	80	14	22	3
	Marketing support services in connection with membership management and other services	937	1,810	1,248	550	681	99
Cainiao Network	Logistics service fee	4,444	3,437	N/A ⁽¹⁾	N/A ⁽¹⁾	N/A ⁽¹⁾	N/A ⁽¹⁾
Weibo	Marketing service fee	340	615	624	206	156	23

Note:

- (1) In October 2017, our equity interest in Cainiao Network increased to approximately 51% and it became one of our consolidated subsidiaries.

Certain of our investees have entered into commercial arrangements with us in connection with certain logistics services they provide to Cainiao Network and our other businesses. In fiscal years 2018 (after the consolidation of Cainiao Network in October 2017) and 2019 and the three months ended June 30, 2018 and 2019, we incurred costs and expenses of RMB5,608 million, RMB12,933 million, RMB3,709 million and RMB2,226 million (US\$324 million), respectively, for these logistics services, accounting for 3.2%, 4.2%, 5.2% and 2.5% of our costs and expenses in the relevant periods.

Other than the foregoing, the aggregate service fees we paid to other related parties accounted for less than 1% of total cost and expenses in each of fiscal years 2017, 2018 and 2019 and the three months ended June 30, 2018 and 2019.

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The following table summarizes the services fees received from related parties in the periods indicated.

Related Party	Transaction	Year ended March 31,			Three months ended June 30,		
		2017	2018	2019	2018	2019	
		RMB	RMB	RMB	RMB	RMB	US\$
		(unaudited) (in millions)					
Ant Financial	Software technology services fee and license fee	2,086	3,444	517	910	1,627	237
	Reimbursement payment for software technology services fee	245	37	106	–	–	–
Ant Financial and its affiliates	Annual fee for SME loan business	847	956	954	239	239	35
	Administrative and support services	531	676	1,017	186	295	43
	Cloud computing services fee	264	482	761	145	240	35
	Marketplace software technology services fee	409	497	591	122	251	37
	Others	90	524	898	145	392	57
	Reimbursement payment for RSUs and options ⁽¹⁾	54	5	–	–	–	–
Cainiao Network ⁽²⁾	Administrative and support service fee	152	123	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾
Weibo	Cloud computing service fee	105	223	304	68	71	10

Notes:

- (1) We entered into agreements with Ant Financial under which we received reimbursements for RSUs and options relating to our Shares granted to the employees of Ant Financial and its subsidiaries during the period from December 14, 2011 to March 31, 2014. Grants of RSUs and options made subsequent to March 31, 2014 are not subject to these reimbursement arrangements. See “— Agreements and Transactions Related to Ant Financial and Its Subsidiaries — Equity-based Award Arrangements.”
- (2) In October 2017, our equity interest in Cainiao Network increased to approximately 51% and it became one of our consolidated subsidiaries.

Cainiao Network has entered into commercial arrangements with certain of our investees related to logistics services. In fiscal years 2018 (after our consolidation of Cainiao Network in October 2017) and 2019 and the three months ended June 30, 2018 and 2019, we recognized revenue of RMB72 million, RMB261 million, RMB24 million and RMB264 million (US\$38 million), respectively, in connection with these services. This revenue accounted for 0.1% and 0.2% of our revenue in fiscal year 2019 and the three months ended June 30, 2019, respectively, and a negligible percentage of our revenue in fiscal year 2018 and the three months ended June 30, 2018.

Other than the related party transactions summarized above, the aggregate payments we received from other related parties accounted for less than 1% of total revenue in each of the fiscal years 2017, 2018 and 2019 and the three months ended June 30, 2018 and 2019.

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Transactions and Agreements with SoftBank and Altaba

Voting Agreement

We have entered into a voting agreement with Jack Ma, Joe Tsai, SoftBank and Altaba, which provides SoftBank with the right to nominate one director to our board of directors who will, subject to certain conditions, have the right to receive notices and materials for all meetings of our committees and to join these meetings as an observer, which rights are also reflected in our Memorandum and Articles of Association. These nomination rights will terminate when SoftBank's shareholding declines below 15% of our outstanding shares. The voting agreement also contains provisions to the effect that:

- SoftBank agrees to:
 - vote its shares in favor of the election of the Alibaba Partnership's director nominees at each annual general shareholders meeting until SoftBank's shareholding declines below 15% of our outstanding shares, and
 - grant the voting power of any portion of its shareholdings exceeding 30% of our outstanding Shares to Jack and Joe by proxy;
- Jack and Joe will vote their shares and any other shares over which they hold voting rights in favor of the election of the SoftBank director nominee at each annual general shareholders meeting in which the SoftBank nominee stands for election until SoftBank's shareholding declines below 15% of our outstanding Shares;
- Altaba agrees to:
 - vote its shares in favor of the election of all of the Alibaba Partnership's director nominees and the SoftBank director nominee, if so standing for election, at each annual general shareholders meeting until SoftBank's shareholding declines below 15% of our outstanding Shares, and
 - grant the voting power over any shares it owns, up to 972 million of our Shares, after having accounted for the Share Split, to Jack and Joe by proxy;
- each party to the voting agreement will use its commercially reasonable efforts to cause any other person with whom it jointly files a statement (or an amendment to a statement) on Schedule 13D or Schedule 13G pursuant to the U.S. Exchange Act to become a party to the voting agreement and vote its shares in favor of SoftBank's and the Alibaba Partnership's director nominees pursuant to the foregoing; and
- SoftBank and Altaba will receive certain information rights in connection with the preparation of their financial statements.

SoftBank's and Altaba's proxy obligations described in the second sub-bullet under each of the first and third bullets above, respectively, shall (a) not apply in respect of any proposal submitted to our shareholders that may result in an issuance of shares or other equity interests of us, including securities exchangeable or convertible into shares, that would increase the amount of our then-outstanding shares by 3% or more and (b) terminate when

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Jack owns less than 1% of our outstanding shares on a fully diluted basis or if we materially breach the voting agreement. Based on publicly disclosed information, Altaba held ADSs representing 40 million of our Shares, after having accounted for the Share Split, as of September 30, 2019.

Investments Involving SoftBank

We have invested in businesses in which SoftBank or one or more of its affiliates is a shareholder or co-invested with SoftBank or one or more of its affiliates in other businesses. SoftBank has also invested in businesses in which we or our controlled entities are shareholders. For instance, in April 2017, SoftBank participated in a new round of equity financing completed by Didi Chuxing, in which we hold an equity interest. In September 2017, we sold a portion of our investment in Didi Chuxing to SoftBank for cash consideration of US\$639 million. In December 2018, an investment fund affiliated with SoftBank agreed to acquire a minority equity interest in our local services holding company. We may continue to co-invest with SoftBank, invest in businesses in which SoftBank is already an existing investor, and may also bring SoftBank as an investor into our new businesses or businesses in which we are an existing investor.

Agreements and Transactions Related to Ant Financial and Its Subsidiaries

Ownership of Ant Financial and Alipay

We originally established Alipay in December 2004 to operate our payment services business. In June 2010, the PBOC issued new regulations that required non-bank payment companies to obtain a license in order to operate in China. These regulations provided specific guidelines for license applications only for domestic PRC-owned entities. These regulations stipulated that, in order for any foreign-invested payment company to obtain a license, the scope of business, the qualifications of any foreign investor and any level of foreign ownership would be subject to future regulations to be issued, which in addition would require approval by the PRC State Council. Furthermore, the regulations required that any payment company that failed to obtain a license must cease operations by September 1, 2011. Although Alipay was prepared to submit its license application in early 2011, at that time the PBOC had not issued any guidelines applicable to license applications for foreign-invested payment companies. In light of the uncertainties relating to the license qualification and application process for a foreign-invested payment company, our management determined that it was necessary to restructure Alipay as a company wholly-owned by PRC citizens in order to avail Alipay of the specific licensing guidelines applicable only to domestic PRC-owned entities. Accordingly, we divested all of our interest in and control over Alipay in 2011, which resulted in deconsolidation of Alipay from our financial statements. This action enabled Alipay to obtain a payment business license in May 2011 without delay and without any detrimental impact to our China retail marketplaces or to Alipay.

Following the divestment of our interest in and control over Alipay, effective in the first calendar quarter of 2011, the ownership structure of Alipay's parent entity, Ant Financial, was changed so that Jack Ma held a substantial majority of the equity ownership interest in Ant Financial. The ownership structure of Ant Financial has subsequently been further restructured. Ant Financial has also completed several rounds of equity financing. Pursuant to the SAPA entered into in August 2014 and amended in February 2018, we agreed to acquire a 33% equity interest in Ant Financial and terminate the profit share payments that we were receiving from Ant Financial at the time, subject to the satisfaction of closing conditions set forth in the SAPA. In September 2019, we received a newly-issued 33%

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equity interest in Ant Financial following the satisfaction of the closing conditions set forth in the SAPA. As of the Latest Practicable Date, Junhan and Junao held approximately 50% of Ant Financial's equity interest, we held 33% and other shareholders held the remaining equity interest.

Economic interests of Ant Financial through Junhan are owned by Jack Ma, Simon Xie and other employees of us and Ant Financial and its affiliates and investee companies. These economic interests are in the form of limited partnership interests and interests similar to share appreciation rights tied to potential appreciation in the value of Ant Financial. The economic interests in Junao are held in the form of limited partnership interests by certain members of the Alibaba Partnership.

We understand that it is the intention of the shareholders of Ant Financial that:

- Jack Ma's direct and indirect economic interest in Ant Financial (for the avoidance of doubt, other than the equity stake in Ant Financial held by our Company) will be reduced over time to a percentage that does not exceed his and his affiliates' interest in our Company as of the time immediately prior to the completion of our initial public offering (the percentage of our Shares Jack and his affiliates beneficially owned immediately prior to the completion of our initial public offering was 8.8%) and that this reduction will be caused in a manner by which neither Jack nor any of his affiliates would receive any economic benefit. See "— Commitments of Jack Ma to Alibaba Group." We have been informed by Ant Financial that the proposed reduction of Jack's economic interest is expected to be accomplished through a combination of future equity-based incentive awards to employees and dilutive issuances of equity in Ant Financial, among others;
- from time to time, additional economic interests in Ant Financial in the form of interests similar to share appreciation rights issued by Junhan will be transferred to employees of Ant Financial and our employees; and
- Ant Financial may raise equity capital from investors in the future in order to finance its business expansion, with the effect that the shareholding of Junao and Junhan in Ant Financial will be reduced through dilution (the amount of dilution would depend on future valuations and the amount of equity capital to be raised).

Jack Ma is able to exercise the voting power of Junao and Junhan, two of the major shareholders of Ant Financial, because he owns 100% of the general partner of both Junao and Junhan.

Our Commercial Arrangements with Ant Financial and Alipay

After the divestment of our interest in and control over Alipay, we entered into a framework agreement in July 2011, or the 2011 framework agreement, with SoftBank, Alibaba, Alipay, Ant Financial, Jack Ma and Joe Tsai and certain of their affiliates. At the same time, we also entered into various implementation agreements that included a commercial agreement, or the Alipay commercial agreement, an intellectual property license and software technology service agreement, or the 2011 IPLA, and a shared services agreement, which together governed our financial and commercial relationships with Ant Financial and Alipay.

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Alipay Commercial Agreement

Under the Alipay commercial agreement among us, Alipay and Ant Financial, which agreement still remains in place following the 2014 restructuring and the 2018 and 2019 amendments to our agreements with Ant Financial, each as described below, Alipay provides payment processing and escrow services to us. These services enable settlement of transactions on our marketplaces through a secure payment platform and escrow process. We pay Alipay a fee for these services on terms that are preferential to us. These preferential terms enable us, with certain exceptions, to make available basic payment processing and escrow services to consumers and merchants on our marketplaces free of charge. We believe that these services provide us with a competitive advantage that otherwise would be diminished without the preferential terms of the Alipay commercial agreement.

The fees that we pay Alipay are based on fee rates and actual payment volumes processed on our marketplaces. The fee rates reflect, among other things, Alipay's bank-processing costs and operating costs allocable to the services provided to us, and accordingly are subject to adjustment on an annual basis to the extent these costs increase or decline. In connection with the 2014 restructuring, the Alipay commercial agreement was amended to provide that a special independent committee formed by our independent directors and the director designated by SoftBank, or the Independent Committee, must approve the fee rates in advance on an annual basis. The fee rates for the immediately preceding year remain in effect until such time as the annual approval by the Independent Committee has been obtained. In fiscal years 2017, 2018 and 2019 and the three months ended June 30, 2018 and 2019, service fees in connection with the payment services provided by Alipay amounted to RMB5,487 million, RMB6,295 million, RMB8,252 million, RMB1,739 million and RMB2,281 million (US\$332 million), respectively, under this agreement. The Alipay commercial agreement has an initial term of 50 years, and is automatically renewable for further periods of 50 years, subject to our right to terminate at any time upon one year's prior written notice. If the Alipay commercial agreement is required by applicable regulatory authorities, including under stock exchange listing rules, to be modified in certain circumstances, a one-time payment may be payable to us by Ant Financial to compensate us for the impact of the adjustment. Certain conforming amendments were made to the Alipay commercial agreement as part of the relevant amendments to our agreements with Ant Financial and Alipay described below.

2014 Restructuring of Our Relationship with Ant Financial and Alipay, Subsequent Amendments and 2019 Equity Issuance

On August 12, 2014, we entered into a share and asset purchase agreement, which together with all subsequent amendments, we refer to as the SAPA, and entered into or amended certain ancillary agreements including an amendment and restatement of the 2011 IPLA, or the 2014 IPLA. Pursuant to these agreements, we restructured our relationships with Ant Financial and Alipay and terminated the 2011 framework agreement. On February 1, 2018, we amended both the SAPA and the Alipay commercial agreement, and agreed with Ant Financial and certain other parties on forms of certain ancillary agreements. The relevant amendments were entered into or agreed to facilitate our acquisition of a 33% equity interest in Ant Financial.

Apart from the amended provisions described below, the key terms of our agreements with Ant Financial and Alipay from the 2014 Restructuring remain substantially unchanged.

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Sale of SME Loan Business and Certain Other Assets

Pursuant to the SAPA, we sold certain securities and assets primarily relating to our SME loan business and other related services to Ant Financial in February 2015. In addition, pursuant to software system use and service agreements relating to the know-how and related intellectual property that we agreed to sell together with the SME loan business and related services, we will receive annual fees for a term of seven years commencing in 2015. These fees, which are recognized as other revenue, are determined as follows: for calendar years 2015 to 2017, the entities operating the SME loan business paid an annual fee equal to 2.5% of the average daily balance of the SME loans provided by these entities, and in calendar years 2018 to 2021, these entities will pay an annual fee equal to the amount of the fees paid in calendar year 2017. In fiscal years 2017, 2018 and 2019 and the three months ended June 30, 2018 and 2019, the annual fees we received from Ant Financial and its affiliates in connection with the SME loan business amounted to RMB847 million, RMB956 million, RMB954 million, RMB239 million and RMB239 million (US\$35 million), respectively.

For regulatory reasons, we retained approximately RMB1,225 million of the existing SME loan portfolio upon the completion of the transfer of the SME loan business. These loans have been repaid. We will not conduct any new SME loan business going forward.

Issuance of Equity Interest

In September 2019, following the satisfaction of the closing conditions, we received through an onshore PRC subsidiary the issuance of a 33% equity interest in Ant Financial pursuant to the SAPA, or the Issuance. We believe that the acquisition of the 33% equity interest in Ant Financial will strengthen our strategic relationship pursuant to the series of agreements initially reached with Ant Financial in 2014.

Pursuant to the SAPA, the consideration we paid to receive the newly-issued 33% equity interest in Ant Financial was fully funded by payments from Ant Financial and its subsidiaries to us in consideration for certain intellectual property and assets that we transferred under the SAPA.

In connection with the receipt of the Issuance, we entered into a cross license agreement with Ant Financial providing for a license by each of Ant Financial and us to each other of certain patents, trademarks, software and other technology (including but not limited to patents and software transferred at the Issuance closing). The cross license agreement also contains provisions relating to cooperation and coordination between Ant Financial and us on various intellectual property matters, including prosecution, enforcement, acquisition, and joint defense arrangements, among other matters.

Upon closing of the Issuance, we entered into the previously agreed form of amendment and restatement of the 2014 IPLA, or the Amended IPLA, and the profit share payment arrangement under the 2014 IPLA automatically terminated. For more information, see “—Alipay Intellectual Property License and Software Technology Services Agreement” below.

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Financial and Accounting Treatment Upon Issuance of Equity Interest in Ant Financial

There is no material operational and economic impact on us as a result of our receipt of the 33% equity interest in Ant Financial, but we have changed our accounting for our relationship with Ant Financial. The primary accounting impact and changes in accounting treatment resulting from the completion of the Issuance consist of the following:

Termination of profit share and cash flow impact

Upon the Issuance, and our transfer of certain intellectual property to Ant Financial and its subsidiaries, the profit share arrangement under the 2014 IPLA was terminated. For the years ended March 31, 2017, 2018 and 2019 and the three months ended June 30, 2018 and 2019, the profit share payments recorded in “Other income, net” in our consolidated income statements amounted to RMB2,086 million, RMB3,444 million, RMB517 million, RMB910 million and RMB1,627 million (US\$237 million), respectively. Following our receipt of the Issuance, we will no longer receive these cash inflows from Ant Financial.

Equity method accounting

Upon the Issuance, we account for our equity interest in Ant Financial under the equity method and record it in “Investment in equity investees” on our consolidated balance sheet with a one-time gain of RMB69.2 billion recorded in “Interest and investment income, net” on our consolidated income statement in the period ended September 30, 2019. Subsequent to the Issuance, we will record our proportionate share of results of Ant Financial in “Share of results of equity investees” in our consolidated income statements on a one quarter in-arrears basis.

Regulatory Unwind

The SAPA provides that, if a relevant governmental authority prohibits us from owning all or a portion of our equity interest in Ant Financial after the equity issuance has occurred through enactment of a law, rule or regulation, or explicitly requires Ant Financial to redeem this equity interest, and the prohibition or request is not subject to appeal and cannot otherwise be resolved, then to the extent necessary, Ant Financial will redeem the equity interest; the related intellectual property and asset transfers, and ancillary transactions under the SAPA will be unwound; and the terms of the SAPA, the 2014 IPLA, and other related agreements will be restored, including the prior profit share payments and liquidity event payment (which would be payable to us in the event of a qualified IPO of Ant Financial or Alipay, in an amount equal to 37.5% of the equity value of Ant Financial as a whole, immediately prior to the qualified IPO). If there is a partial unwind where we retain a portion of our equity interest in Ant Financial, but less than the full 33%, then pursuant to the terms of the SAPA and the 2014 IPLA, the prior profit share payment arrangement and liquidity event payment amount will be proportionately reduced based on the amount of equity interest retained by us.

Jack Ma and Joe Tsai contributed 280,000,000 and 120,000,000 of our Shares, after having accounted for the Share Split, held by them to APN Ltd., a vehicle they established to hold these shares. The shares of APN Ltd., as well as the 400,000,000 Shares, after having accounted for the Share Split, held by APN Ltd., were pledged to us to secure the liquidity event payment and certain other obligations of Ant Financial under the SAPA and the Alipay commercial agreement, as well as the direct liability of APN Ltd. for up to US\$500 million of the liquidity event payment if any liquidity event payment becomes due. These Shares remain pledged to us to secure certain obligations of Ant Financial under the SAPA and the Alipay commercial agreement.

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Pre-emptive Rights

Following our receipt of equity interest in Ant Financial, we have pre-emptive rights to participate in other issuances of equity securities by Ant Financial and certain of its affiliates prior to the time of a qualified IPO of Ant Financial. These pre-emptive rights entitle us to maintain the equity ownership percentage we hold in Ant Financial immediately prior to any such issuances. In connection with our exercise of our pre-emptive rights we are also entitled to receive certain payments from Ant Financial, effectively funding our subscription for these additional equity interests, up to a value of US\$1.5 billion, subject to certain adjustments, or the pre-emptive rights funded payments. In addition to these pre-emptive rights and the pre-emptive rights funded payments, under the SAPA, in certain circumstances we are permitted to exercise pre-emptive rights through an alternative arrangement that will further protect us from dilution.

Certain Restrictions on the Transfer of Ant Financial Equity Interests

Under the SAPA and the Amended IPLA, certain parties thereto, including us in some cases, are subject to restrictions on the transfer of equity interests in Ant Financial, including:

- following our receipt of the Issuance and until the earlier of a qualified IPO of Ant Financial or the termination of the independent director rights provided in the SAPA, none of Jack Ma, Joe Tsai (if he holds any equity interest at that time), Junao, Junhan or Ant Financial may knowingly transfer any equity in Ant Financial to a third-party who would thereby acquire more than 50% of the voting or economic rights in, or assets of, Ant Financial; and
- any transfer of equity interests in Ant Financial by Junao or Junhan, on the one hand, or our Company, on the other hand, will be subject to a right of first refusal by the other party.

Non-competition Undertakings

Under the SAPA, subject to certain limitations and unless both parties agree, Ant Financial may not engage in any business conducted by us from time to time or logical extensions thereof, and we are restricted from engaging in specified business activities within the scope of business of Ant Financial, including the provision and distribution of credit facilities and insurance, the provision of investment management and banking services, payment transaction processing and payment clearing services, leasing, lease financing and related services, trading, dealing and brokerage with respect to foreign exchange and financial instruments, distribution of securities, commodities, funds, derivatives and other financial products and the provision of credit ratings, credit profiles and credit reports. Each party may, however, make passive investments in competing businesses below specified thresholds, in some cases after offering the investment opportunity to the other party.

Corporate Governance Provisions

The SAPA provides that we and Ant Financial will recommend one independent nominee who Ant Financial will nominate as a member of its board, and Jack Ma, Joe Tsai (as long as he holds any equity interest in Ant Financial), Junhan and Junao will agree to vote the equity interests in Ant Financial controlled by them in favor of the nomination. If this independent director resigns or the director's seat otherwise becomes vacant, so long as SoftBank owns at least 20% of our outstanding Shares, and certain other conditions are satisfied, SoftBank and Jack, acting jointly, will select on our behalf the individual to be

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designated as a replacement director, subject to the approval of the Independent Committee. This Independent Committee, which was formed pursuant to the SAPA, is required to approve certain actions that we may take in connection with the SAPA and related agreements.

Upon the Issuance in September 2019, we nominated two of our officers who have been elected to the board of Ant Financial pursuant to our rights under the SAPA.

In each case, these director nomination rights will continue unless required to be terminated by applicable laws and regulations or listing rules in connection with an Ant Financial qualified IPO process or we cease to own a certain amount of our post-issuance equity interests in Ant Financial.

Additional Alibaba Rights

In addition to the rights discussed above, the SAPA provided us with certain other rights with respect to Ant Financial. These included, among others:

- customary information rights;
- approval rights over certain Ant Financial or Alipay actions; and
- rights to ensure our ability to participate in any qualified IPO of Ant Financial.

Except as otherwise discussed “— Termination of Alibaba Rights” below, these rights have been substantially retained in the SAPA. Following the Issuance in September 2019, the SAPA also provides the Independent Committee with approval rights over:

- increases to the size of the Ant Financial board resulting in the number of board seats exceeding a certain specific number; and
- any Alipay IPO or equity issuance (other than in the context of an IPO).

Termination of Alibaba Rights

Under the SAPA certain of our rights with respect to Ant Financial terminated upon our receipt of the Issuance.

In addition, the SAPA provides that, in connection with Ant Financial or Alipay commencing an IPO process, we and Ant Financial will discuss in good faith the amendment or termination of our rights to the extent necessary or advisable to achieve an efficient and successful IPO. Certain of our rights that would be incremental to the rights of other shareholders of Ant Financial as of the consummation of the IPO (excluding, among other things, our information rights) will terminate if required by a relevant stock exchange or governmental authority, or if necessary to obtain a legal opinion in connection with the IPO application. If the IPO application is withdrawn or rejected by the relevant authorities, or if the IPO is not consummated within a certain period of time, then any of our rights that were terminated or amended in anticipation of the IPO will be restored.

Ancillary Agreements

In connection with our entry into the original SAPA in 2014, we also entered into the 2014 IPLA, a data sharing agreement, an amended and restated shared services agreement, a SME loan cooperation framework agreement and a trademark agreement, each of which is described below.

RELATED PARTY TRANSACTIONS

Pursuant to the SAPA, upon the Issuance we also entered into the Amended IPLA, a cross license agreement and various intellectual property transfer agreements in connection with, and to implement, the contemplated intellectual property and asset transfers described in “— Issuance of Equity Interest” above.

Alipay Intellectual Property License and Software Technology Services Agreement

2014 IPLA

Pursuant to the original 2011 framework agreement, we entered into the 2011 IPLA, pursuant to which we and our subsidiaries licensed to Alipay certain intellectual property rights and provided various software technology services to Alipay and its subsidiaries. In August 2014, we entered into the 2014 IPLA.

Under the 2011 IPLA, Alipay paid us a royalty and software technology services fee equal to the sum of an expense reimbursement plus 49.9% of the consolidated pre-tax income of Alipay and its subsidiaries until a liquidity event of Alipay or Ant Financial. The calculation of the profit share percentage was subject to downward adjustments upon certain dilutive equity issuances by Alipay or Ant Financial. Under the 2014 IPLA, we received, in addition to a software technology service fee, royalty streams related to Alipay and other current and future businesses of Ant Financial, which we refer to collectively as the profit share payments. The profit share payments were paid at least annually and equal the sum of an expense reimbursement plus 37.5% of the consolidated pre-tax income of Ant Financial (subject to certain adjustments), including not only Alipay but all of Ant Financial’s subsidiaries.

In fiscal years 2017, 2018 and 2019 and the three months ended June 30, 2018 and 2019, under the 2014 IPLA, we recognized royalty and software technology services fees, net of costs incurred by us, amounting to RMB2,086 million, RMB3,444 million, RMB517 million, RMB910 million and RMB1,627 million (US\$237 million), respectively, as other income, and the relevant expense reimbursement amounted to RMB245 million, RMB37 million, RMB106 million, nil and nil, respectively, over the same periods.

Upon our receipt of the Issuance in September 2019, we entered into the Amended IPLA and terminated the 2014 IPLA.

Amended IPLA

Pursuant to the SAPA, we, Ant Financial and Alipay entered into the Amended IPLA upon our receipt of the Issuance, at which time we also transferred certain intellectual property and assets to Ant Financial and its subsidiaries and the profit share payment arrangement was terminated, as described in “— Issuance of Equity Interest” above.

While the profit share payments have terminated under the Amended IPLA, Ant Financial may in certain circumstances continue to make certain royalty payments to us (as agreed to by Ant Financial and the Independent Committee), which may be used as pre-emptive rights funded payments under the SAPA, as described in “— Pre-emptive Rights” above.

Additionally, pursuant to the Amended IPLA, Ant Financial and its subsidiaries will receive expanded rights to apply for, register and manage certain intellectual property related to their businesses, subject to certain continuing restrictions and our rights, and we will cease to provide certain software technology services to Ant Financial and its subsidiaries.

RELATED PARTY TRANSACTIONS

The Amended IPLA will terminate upon the earliest of:

- the full payment of all pre-emptive rights funded payments under the SAPA;
- the closing of a qualified IPO of Ant Financial or Alipay; and
- our transfer to Ant Financial of any remaining intellectual property we own that is exclusively related to the business of Ant Financial.

Data Sharing Agreement

We and Ant Financial entered into a data sharing agreement in August 2014.

Pursuant to the data sharing agreement, we, our controlled affiliates and certain other affiliates, such as Ant Financial, which we refer to hereinafter as full data sharing participants, will contribute all data collected or generated as a result of the use by users of our or their respective products or services (subject to applicable law, industry rules and contractual requirements) to a data platform that we operate and maintain, and to which all of the full data sharing participants will have access. A data platform management committee established by us and Ant Financial may also approve noncontrolled affiliates of us and Ant Financial and unaffiliated third parties to have certain access to and contribute data to the platform, subject to execution of a data platform participation agreement containing the terms and restrictions on access to and use of the data sharing platform and shared data as the data management committee shall determine. No fees or other compensation are required to be paid by any of the full data sharing participants for access to the data platform, other than the obligation for participants to share in the costs of the operation of the data platform on a fair and reasonable basis. The data sharing agreement provides that none of the participants may reproduce any of the data on the data platform for transfer to their own servers, except that a participant may retain its own data that it has contributed to the data platform.

The data sharing agreement initially had a minimum term of ten years. In May 2015, our board approved the extension of the term of the agreement to a total of 50 years.

SME Loan Cooperation Framework Agreement

We and Ant Financial entered into a SME loan cooperation framework agreement in August 2014, pursuant to which each party agreed to cooperate with, and provide certain services with respect to, the other party's enforcement of certain rights of the other party against users of its platforms and services and with respect to the provision of certain financial services to our customers and merchants. In particular, we agreed, upon Ant Financial's request, to close down or suspend online storefronts and restrict marketing activities on our platforms of persons defaulting on loans made by Ant Financial and persons in violation of Alipay rules and regulations, and to publish notices on our platforms and provide information regarding these persons, in each case in a manner to be further agreed upon from time to time. Ant Financial agreed, upon our request, to make loans and/or extensions of credit and related financial services available to our users, freeze and pay over to us funds in accounts of users violating our rules and regulations or agreements with us, accelerate loans and terminate credit facilities of these users, restrict marketing activities on its platforms by these users, and provide information regarding these users, in each case in a manner to be further agreed upon from time to time. Neither party is required to pay any fees in consideration for the services provided by the other party, and apart from the provision of these services, there will be no other exchange of value in connection with this agreement. The cooperation agreement has an initial term of five years, with automatic renewals upon expiry for additional five-year periods.

RELATED PARTY TRANSACTIONS

From time to time, we expect to enter into similar commercial arrangements with respect to cooperation matters and the provision of services between us and Ant Financial and to our respective customers.

Trademark Agreement

We and Ant Financial entered into a trademark agreement in August 2014, pursuant to which we granted Ant Financial a non-transferable, non-assignable and non-sublicensable (except to its subsidiaries) license for it and its sublicensed subsidiaries to continue to use certain trademarks and domain names based on trademarks owned by us, in connection with their payment services business and the SME loan business transferred by us to them, and in the same manner of use as in August 2014, and a non-transferable, non-assignable and non-sublicensable (except to its subsidiaries) license to use other trademarks and domain names based on trademarks owned by us, and in that manner, as we may agree to allow in the future. Pursuant to the trademark agreement, each of the parties further agreed to the rights and limitations that each would have to use the “Ali” name or prefix and the “e-commerce” (and its Chinese equivalent) name, prefix or logo as part of a trademark or domain name in each party’s and its subsidiaries’ respective businesses. Neither party is required to pay any fees under this agreement, and, apart from the licenses and rights set forth in the agreement, there will be no other exchange of value in connection with this agreement. Pursuant to the SAPA, following our receipt of the Issuance, we transferred to Ant Financial ownership of several of the trademarks and domain names licensed by us to Ant Financial. However, the trademark agreement will remain in effect in accordance with its terms following the transaction to provide for a continued license of other trademarks that we will continue to own.

Shared Services Agreement with Ant Financial

We and Ant Financial entered into a shared services agreement, which was amended and restated in August 2014 in connection with the SAPA. Pursuant to the shared services agreements, we and Ant Financial provide certain administrative and support services to each other and our respective affiliates.

Service fees in connection with the administrative and support services provided by us to Ant Financial and its affiliates under the agreement amounted to RMB531 million, RMB676 million, RMB1,017 million, RMB186 million and RMB295 million (US\$43 million) in fiscal years 2017, 2018 and 2019 and the three months ended June 30, 2018 and 2019, respectively. Service fees in connection with the administrative and support services provided by Ant Financial and its affiliates to us amounted to RMB15 million, RMB84 million, RMB80 million, RMB14 million and RMB22 million (US\$3 million) in fiscal years 2017, 2018 and 2019 and the three months ended June 30, 2018 and 2019, respectively.

Other Commercial Arrangements with Ant Financial

We also provide Ant Financial, its subsidiaries and affiliates with cloud computing services, marketplace software technology services and other services. Meanwhile, Ant Financial and its affiliates provide us with marketing support services in connection with membership management and other services. In fiscal years 2017, 2018 and 2019 and the three months ended June 30, 2018 and 2019, under these arrangements, service fees in connection with various services provided by us to Ant Financial and its affiliates amounted to RMB763 million, RMB1,503 million, RMB2,250 million, RMB412 million and RMB883 million (US\$129 million), respectively. During the same periods, service fees in connection with

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the marketing support services and other services provided by Ant Financial amounted to RMB937 million, RMB1,810 million, RMB1,248 million, RMB550 million and RMB681 million (US\$99 million), respectively.

Investments Involving Ant Financial

We have invested in businesses in which Ant Financial is a shareholder or co-invested with Ant Financial in other businesses. For instance, in September 2015, we established a joint venture under the brand name Koubei with Ant Financial. We and Ant Financial injected certain related businesses into Koubei and each invested RMB3.0 billion in this joint venture. In April and August 2017, we and Ant Financial invested in the preferred shares of Ele.me, with our investment totaling US\$864 million. In December 2018, Ant Financial participated in the integration of Ele.me and Koubei, and became a minority shareholder of our local consumer services holding company. In addition, in May 2019, Ant Financial agreed to invest HK\$454 million (US\$58 million) for a 0.5% equity interest in Alibaba Health, our subsidiary listed on the Hong Kong Stock Exchange. Ant Financial is also a shareholder of both Paytm, a mobile payment platform in India, and Paytm Mall, an e-commerce platform in India, both of which are our minority investees.

Equity-based Award Arrangements

In order to encourage mutually beneficial cooperation, we have awarded RSUs and granted options to acquire our Shares to employees of Ant Financial and its subsidiaries. As of March 31, 2017, 2018 and 2019 and June 30, 2019, there were 23,743,856, 13,026,472, 15,051,768 and 12,011,080 of our Shares, after having accounted for the Share Split, respectively, underlying unvested RSUs and outstanding options held by employees of Ant Financial.

We entered into agreements with Ant Financial in calendar years 2012 and 2013 under which we will receive reimbursements for RSUs and options relating to our Shares granted to the employees of Ant Financial and its subsidiaries during the period from December 14, 2011 to March 31, 2014. Grants of RSUs and options made subsequent to March 31, 2014 are not subject to these reimbursement arrangements. Pursuant to these agreements, we will, upon vesting of these RSUs and options, receive a cash reimbursement equal to their respective grant date fair value. The amounts of these reimbursements in fiscal years 2017, 2018 and 2019 and the three months ended June 30, 2018 and 2019 were RMB30 million, RMB5 million, nil, nil and nil, respectively.

We understand that Jack Ma, who effectively controls approximately 50% of the voting interest in Ant Financial, believes that providing equity-related awards to our employees tied to the success of Ant Financial will enhance the value of our business because of the strategic importance of Alipay to our marketplaces and because, through our strategic and financial relationship with Ant Financial, we have a significant participation in the profits and value accretion of Ant Financial.

Since March 2014, Junhan, the general partner of which is an entity controlled by Jack Ma, has granted certain share-based awards similar to share appreciation awards linked to the valuation of Ant Financial to certain of our employees. In addition, Ant Financial, through its subsidiary, has granted certain RSUs to certain of our employees since April 2018. The awards granted by Junhan will be settled in cash by Junhan upon disposal of these awards by the holders. The awards granted by the Ant Financial subsidiary may be settled in cash or equity by the Ant Financial subsidiary upon vesting of these awards. Junhan and the Ant Financial subsidiary have the right to repurchase the vested awards (or any underlying

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equity for the settlement of the vested awards) granted by them, as applicable, from the holders upon an initial public offering of Ant Financial or the termination of the holders' employment with us at a price to be determined based on the then fair market value of Ant Financial.

Subsequent to our initial public offering, based on the arrangements agreed to in the SAPA, we, Junhan and Ant Financial entered into an agreement, under which we agreed to continue granting our share-based awards to employees of Ant Financial, and Junhan and Ant Financial agreed that Junhan and/or Ant Financial through one of its subsidiaries will continue granting equity-based performance awards to our employees on an annual basis. Due to the mutually beneficial nature of this arrangement, the parties agreed that none of them has any obligation to reimburse any other party any expenses relating to the equity-based awards. This agreement has a term of three years and will be automatically renewed for another three years, unless otherwise terminated by written agreement among the parties or unilaterally by Ant Financial if it is required under applicable laws (including any regulatory requirements applicable to a public offer of Ant Financial's shares) to terminate the agreement.

Transactions with Alibaba Pictures

In March 2019, we subscribed for newly issued ordinary shares of Alibaba Pictures for a cash consideration of HK\$1,250 million. Upon the completion of the transaction, our equity interest in Alibaba Pictures increased from approximately 49% to approximately 51%, and Alibaba Pictures became our consolidated subsidiary.

Transactions with Entities Affiliated with Our Directors and Officers

Jack Ma, one of our directors, Joe Tsai, our executive vice chairman, and J. Michael Evans, our president and director, have purchased their own aircraft for both business and personal use. The use of the above-mentioned directors' and executive officers' own aircrafts in connection with the performance of their duties is free of charge to us, and we have agreed to assume the cost of maintenance, crew and operation of the aircraft where the cost is allocated for business purposes.

Relationship with Investment Funds Affiliated with Jack Ma

Jack Ma currently holds minority interests in the general partners of a number of Yunfeng investment funds, in which he is entitled to receive a portion of carried interest proceeds. We refer to these funds collectively as the Yunfeng Funds. He also holds minority interests in certain investment advisor entities of certain Yunfeng Funds. In addition, Jack, his wife, certain trusts established for the benefit of his family and certain entities controlled by Jack and his wife have committed, or are expected to commit, funds to the general partners or as limited partners of certain Yunfeng Funds.

Jack has either non-voting interests or has waived the exercise of his voting power with respect to his interests in each of the investment advisor entities and the managing entities of certain Yunfeng Funds. Jack has also agreed to donate all distributions of (x) carried interest proceeds he may receive in respect of the Yunfeng Funds and (y) dividends he may receive with respect to his holdings of shares in any investment advisor entity of the Yunfeng Funds, which we collectively refer to as the Yunfeng GP Distributions, to, or for the benefit of, the Alibaba Group Charitable Fund or other entities identified by Jack that serve charitable purposes. In addition, Jack has agreed that, other than his income tax obligations arising from recognition of income from Yunfeng GP Distributions, he will not

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claim any charitable deductions with respect to donations of his Yunfeng GP Distributions against his other income tax obligations. See “— Commitments of Jack Ma to Alibaba Group.” We believe that, through its expertise, knowledge base and extensive network of contacts in private equity in China, Yunfeng Capital will assist us in developing a range of relevant strategic investment opportunities.

The Yunfeng Funds have historically entered into co-investment transactions with us and third parties, such as our co-investment in Beijing Easyhome Furnishing Chain Group Co., Ltd., one of the largest home improvement supplies and furniture chains in the PRC. We have also invested in other businesses in which the Yunfeng Funds are shareholders, such as our acquisition in March 2017 of all of the issued and outstanding shares of Damai, a leading online ticketing platform for live events in China, in which an Yunfeng Fund was a shareholder.

Commitments of Jack Ma to Alibaba Group

Jack Ma, one of our directors, has confirmed the following commitments to our board of directors:

- He intends to reduce and thereafter limit his direct and indirect economic interest in Ant Financial over time (for the avoidance of doubt, other than the equity stake in Ant Financial held by our Company), to a percentage that does not exceed his and his affiliates’ interest in our Company immediately prior to our initial public offering and that the reduction will occur in a manner by which neither Jack nor any of his affiliates would receive any economic benefit;
- He will donate all of his Yunfeng GP Distributions to, or for the benefit of, the Alibaba Group Charitable Fund or other entities identified by him that serve charitable purposes;
- Other than his income tax obligations arising from recognition of income from Yunfeng GP Distributions, he will not claim any charitable deductions with respect to donations of his Yunfeng GP Distributions against his other income tax obligations; and
- If required by us, while he remains an Alibaba executive, he will assume for our benefit legal ownership of investment vehicles, holding companies and variable interest entities that further our business interests in Internet, media and telecom related businesses and, in this case, he will disclaim all economic benefits from his ownership and enter into agreements to transfer any benefits to us (or as we may direct) when permitted by applicable law.

Pledge for the Benefit of and Loan Arrangement with a Related Party

In May 2015, we entered into a pledge with a financial institution in the PRC in connection with certain wealth management products with an aggregate principal amount of RMB7.3 billion we invested in to secure a RMB6.9 billion financing provided by this financial institution to Simon Xie, one of our founders and an equity holder in certain of our variable interest entities, to finance the minority investment by a PRC limited partnership in Wasu, a company listed on the Shenzhen Stock Exchange and engaged in the business of digital media broadcasting and distribution in China. As of June 30, 2019, RMB420 million of the pledge had been released. In addition, we entered into a loan agreement for a principal amount of up to RMB2.0 billion with Simon Xie in April 2015 to finance the

RELATED PARTY TRANSACTIONS

repayment by Simon of the principal and interest under this financing. These arrangements strengthen our strategic business cooperation with Wasu to enhance our entertainment strategy. Our loan to Simon will be made at an interest rate equal to SHIBOR as specified by us from time to time and is repayable in five years. The loan is secured by a pledge of Simon's limited partnership interest in the PRC limited partnership. As of June 30, 2019, the balance of this loan was RMB1,620 million (US\$236 million).

We have entered into strategic cooperation agreements with a major shareholder of Wasu in order to enhance our capabilities and influence in the entertainment sector in China. A company controlled by Jack Ma serves as one of the general partners of the PRC limited partnership. Yuzhu Shi, the founder, chairman and a principal shareholder of Giant Interactive, a China-based online game company that was previously listed on the NYSE, and who is also an entrepreneur with significant experience in and knowledge of the media industry in China, serves as the other general partner. Jack, through his control of one of the general partners, and Mr. Shi, as the other general partner and the executive partner, jointly control this PRC limited partnership. The interest of the general partner controlled by Jack in the limited partnership is limited to the return of its RMB10,000 contributed capital.

Transactions with Cainiao Network

In October 2017, our equity interest in Cainiao Network increased to approximately 51% and it became one of our consolidated subsidiaries.

Before Cainiao Network became our consolidated subsidiary in October 2017,

- we had commercial arrangements with Cainiao Network to receive certain logistics services that are conducted on an arm's length basis. Service fees in connection with the logistics services provided by Cainiao Network in fiscal years 2017 and 2018 (prior to its becoming our consolidated subsidiary) amounted to RMB4,444 million and RMB3,437 million, respectively; and
- we also provided Cainiao Network with various administrative and support services. Service fees in connection with the administrative and support services we provided to Cainiao Network amounted to RMB152 million and RMB123 million in fiscal years 2017 and 2018 (prior to its becoming our consolidated subsidiary), respectively.

Transactions with Weibo

We entered into a strategic collaboration agreement and a marketing cooperation agreement with Weibo, one of our equity investees, during fiscal year 2014. These agreements expired in January 2016. In fiscal years 2017, 2018 and 2019 and the three months ended June 30, 2018 and 2019, service fees in connection with the marketing services provided by Weibo pursuant to these agreements and other commercial arrangements amounted to RMB340 million, RMB615 million, RMB624 million, RMB206 million and RMB156 million (US\$23 million), respectively.

We also have other commercial arrangements with Weibo primarily relating to the provision of cloud computing services. Service fees in connection with the cloud computing services provided by us amounted to RMB105 million, RMB223 million, RMB304 million, RMB68 million and RMB71 million (US\$10 million) in fiscal years 2017, 2018 and 2019 and the three months ended June 30, 2018 and 2019, respectively.

RELATED PARTY TRANSACTIONS

Transactions with Other Investees

We have commercial arrangements with certain of our investees related to logistics services. Revenue recognized in connection with the logistics services we provided to our investees amounted to RMB72 million, RMB261 million, RMB24 million and RMB264 million (US\$38 million) in the period from the date of consolidation of Cainiao Network in October 2017 to March 31, 2018, the year ended March 31, 2019 and the three months ended June 30, 2018 and 2019, respectively. Fees incurred in connection with the logistics service provided by our investees to Cainiao Network, after it became one of our consolidated subsidiaries, and certain of our other businesses in fiscal years 2018 and 2019 and the three months ended June 30, 2018 and 2019 amounted to RMB5,608 million, RMB12,933 million, RMB3,709 million and RMB2,226 million (US\$324 million), respectively.

We have also extended loans to certain of our investees for working capital and other uses in conjunction with our investments. As of June 30, 2019, the aggregate outstanding balance of these loans was RMB2,401 million (US\$350 million), with durations generally ranging from one month to ten years and interest rates of up to 10% per annum.

We have also co-invested with certain of our investees in other businesses. For example, we have made co-investments with Hangzhou Hanyun Xinling Equity Investment Fund Partnership and New Retail Strategic Opportunities Fund, L.P. – both of which are our investees that focus on retail-related businesses – in a number of companies, including Red Star Macalline Group Corporation Limited, Sun Art, Beijing Easyhome Furnishing Chain Group Co., Ltd., ZTO Express (Cayman) Inc., and Focus Media Information Technology Co., Ltd.

Other Commercial Transactions with Investees

Other than the transactions disclosed above, we also have commercial arrangements with certain of our investees and other related parties in which:

- we recorded cost and expenses paid to investees for content acquisition, merchant commission rebate, purchase of inventory, market services, traffic acquisition and various other services; and
- we recorded income generated from investees for providing marketing, cloud computing and other services.

The amounts relating to these services provided and received represent less than 1% of our revenue and total costs and expenses, respectively, for the years ended March 31, 2017, 2018 and 2019 and the three months ended June 30, 2018 and 2019.

Contractual Arrangements among Our Wholly Owned Entities, Variable Interest Entities and the Variable Interest Entity Equity Holders

Chinese law restricts foreign ownership in enterprises that provide value-added telecommunications services, which includes the ICPs. As a result, we operate our Internet businesses and other businesses in which foreign investment is restricted or prohibited in China through contractual arrangements between our wholly owned entities, our variable interest entities, which, where applicable, hold the ICP licenses and other regulated licenses and generally operate our Internet businesses and other businesses in which foreign investment is restricted or prohibited, and the variable interest entity equity holders. For a

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description of these contractual arrangements, see “Our History and Corporate Structure — Contractual Arrangements among Our Wholly Owned Entities, Variable Interest Entities and the Variable Interest Entity Equity Holders.”

Indemnification Agreements

We have entered into indemnification agreements with our directors and executive officers. These agreements require us to indemnify these individuals, to the fullest extent permitted by law, for certain liabilities to which they may become subject as a result of their affiliation with us.

Employment Agreements

See “Directors, Senior Management and Employees — Compensation — Employment Agreements.”

Share Options

See “Directors, Senior Management and Employees — Compensation — Equity Incentive Plans.”