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CONTINUING CONNECTED TRANSACTIONS – OPERATION SERVICES AGREEMENT

OPERATION SERVICES AGREEMENT

The Board announces that on February 8, 2022, Zhonglian Shengshi, an indirect wholly-owned subsidiary of the Company, and Beijing Damai, a consolidated entity of AGH, entered into the Operation Services Agreement, pursuant to which Beijing Damai (for itself and its affiliates) agreed to engage Zhonglian Shengshi and/or its affiliates to exclusively provide the Operation Services to Beijing Damai and/or its affiliates for a term commencing from the Commencement Date and ending on March 31, 2025.

LISTING RULES IMPLICATIONS

Beijing Damai is a consolidated entity of AGH. AGH is the ultimate sole shareholder of Ali CV, which is a controlling shareholder and a connected person of the Company holding approximately 50.26% of the issued share capital of the Company as at the date of this announcement. Accordingly, Beijing Damai is an associate of Ali CV and hence a connected person of the Company. The entering into of the Operation Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the highest Annual Cap exceed(s) 5%, the entering into of the Operation Services Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The SGM will be convened at which a resolution will be proposed to seek the Independent Shareholders' approval of the Operation Services Agreement and the transactions contemplated thereunder (including but not limited to the Annual Caps). Ali CV and its associates are required to abstain from voting at the SGM. Further, as each of Mr. Fan Luyuan and Mr. Meng Jun is an employee of AGH or its subsidiaries, and is also a Director and a Shareholder, and Mr. Li Jie is currently taking up a management role in a subsidiary of AGH, and is also a Director and a Shareholder, they will voluntarily abstain from voting at the SGM. As at the date of this announcement, Mr. Fan Luyuan, Mr. Meng

Jun and Mr. Li Jie were respectively interested in 245,000 Shares, 46,447 Shares and 2,304,723 Shares, representing approximately 0.00%, 0.00% and 0.01% of the total issued share capital of the Company. Based on the information, belief and knowledge of the Company, save as disclosed in, and as at the date of, this announcement, no other Shareholder has any material interest in the Operation Services Agreement and the transactions contemplated thereunder (including the Annual Caps) and therefore no other Shareholder is required to 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 regarding the Operation Services Agreement and the transactions contemplated thereunder (including the Annual Caps). The Company has appointed Opus Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other matters, (i) further details of the Operation Services Agreement and the transactions contemplated thereunder (including the Annual Caps); (ii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; and (iv) a notice to convene the SGM will be despatched to the Shareholders on or before March 15, 2022 as more time will be required to finalize certain information to be included in the circular.

OPERATION SERVICES AGREEMENT

The principal terms of the Operation Services Agreement are set out below:

Date: February 8, 2022

Parties: (1) Zhonglian Shengshi, an indirect wholly-owned subsidiary of the Company; and
(2) Beijing Damai, a consolidated entity of AGH.

Term: the period commencing from the Commencement Date and ending on March 31, 2025.

Subject Matter and Pricing Basis

Pursuant to the Operation Services Agreement, Beijing Damai (for itself and its affiliates) agreed to engage Zhonglian Shengshi and/or its affiliates to exclusively provide a full range of operation services, including (i) entering into business cooperation agreements (“Business Agreements”) with different live performance programme organizers, performance venue owners, exhibition organizers, other event organizers or related working parties for and on behalf of Beijing Damai and/or its affiliates; (ii) exercising rights (including rights to defend or initiate litigation proceedings or arbitration in the name of Beijing Damai and/or its affiliates) and fulfilling obligations (including but not limited to the provision of ticketing system and ticketing services) for and on behalf of Beijing Damai and/or its affiliates under the Business Agreements; (iii) managing, maintaining, developing or upgrading the ticketing system and sales channels operated by Beijing Damai, its affiliates or independent working parties; and (iv) providing other administrative management services and personnel support as required by Beijing Damai

and/or its affiliates (collectively, the “Operation Services”), to Beijing Damai and/or its affiliates.

Pursuant to the Operation Services Agreement, the service fees payable by Beijing Damai and/or its affiliates to Zhonglian Shengshi under the Operation Services Agreement shall be calculated based on the actual operating costs and expenses incurred by Zhonglian Shengshi and/or its affiliates in providing the Operation Services plus a premium of 15%. The actual operating costs and expenses incurred by Zhonglian Shengshi and/or its affiliates include labour costs, expenses for promotion and marketing activities, distribution costs and expenses, on-site service facilities, ticketing services consumables and relevant technical support and development, personnel training and other operating costs.

In addition, pursuant to the Operation Services Agreement, Beijing Damai and Zhonglian Shengshi agreed that if Zhonglian Shengshi and/or its affiliates successfully assist(s) Beijing Damai and its affiliates in achieving their business objectives or financial targets for a specific financial year during the term of the provision of the Operation Services, Zhonglian Shengshi shall be entitled to an Incentive Payment in the amount equivalent to 50% of the sum in excess of the targeted profit before interests and taxes of Beijing Damai and its affiliates for the corresponding financial year.

Payment terms

The service fees for the transactions contemplated under the Operation Services Agreement shall be settled by Beijing Damai and/or its affiliates in cash on a monthly basis. Within 5 working days upon confirmation by Beijing Damai and/or its affiliates of the service fees of Zhonglian Shengshi for the previous month, Zhonglian Shengshi shall issue to Beijing Damai and/or its affiliates invoices for the corresponding types of service fees and amounts and Beijing Damai and/or its affiliate shall pay the service fees to Zhonglian Shengshi within 5 working days upon receipt of the invoices issued by Zhonglian Shengshi.

The amount of the Incentive Payment (if any) for any specific financial year during the term of the Operation Services Agreement shall be determined by the parties within the first calendar month of the following financial year. Within 7 working days upon confirmation by the parties of such amount (if any), Zhonglian Shengshi shall issue to Beijing Damai and/or its affiliates the relevant invoice and Beijing Damai shall settle the Incentive Payment in cash within 7 working days upon receipt of the invoice issued by Zhonglian Shengshi.

ANNUAL CAPS AND BASIS OF DETERMINATION OF ANNUAL CAPS

The Annual Caps for the total service fees payable by Beijing Damai and/or its affiliates to Zhonglian Shengshi with respect to the transactions contemplated under the Operation Services Agreement for the financial years ending March 31, 2023, 2024 and 2025 are fixed at RMB450,000,000, RMB450,000,000 and RMB450,000,000, respectively.

The Annual Caps are determined with reference to (i) the estimated annual demand for the Operation Services during the term of the Operation Services Agreement; (ii) the estimated direct and indirect costs for and the estimated profit from the provision of the Operation Services; (iii) the estimated Incentive Payment provided that Zhonglian Shengshi and/or its affiliates successfully assists Beijing Damai and its affiliates in achieving their business objectives or financial targets for a specific financial year during

the term of the provision of the Operation Services; and (iv) a certain percentage of buffer for potential increment in the transaction volume year-on-year.

INTERNAL CONTROL MEASURES

In order to ensure that (i) the terms of the Operation Services Agreement and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable; (ii) the service fees for the transactions contemplated under the Operation Services Agreement are not less favourable to Zhonglian Shengshi than those offered to independent third parties; and (iii) the Annual Caps will not be exceeded, the Group has adopted the following measures:

The Company will from time to time review the service fees and the pricing basis by comparing them against the service fees and the pricing basis for comparable services provided or received by the Group to or from any independent third party. The finance department of the Company will also from time to time conduct market research, which may include obtaining the market information on service fees and/or pricing basis with respect to the same or similar transactions entered into between other market participants and other independent third parties, to ensure that the service fees and the pricing basis are in line with the normal market practices and no more favourable to the other relevant contracting parties of the respective agreements than those available to any independent third party under the same or similar conditions. It will also regularly collect information and monitor the actual transactions conducted with the relevant parties and the corresponding fees incurred under the Operation Services Agreements regularly and will update such information to the chief financial officer of the Company.

In addition, the independent non-executive Directors will conduct annual independent review on the above control measures and the transactions to ensure that the transactions are entered into through arm's length negotiations and on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of the transactions. The auditor of the Company will also conduct an annual review on the pricing basis and the Annual Caps under the Operation Services Agreement. The Company will facilitate the provision of necessary information to its independent non-executive Directors and auditor for the purpose of such review. In addition, the Board will continue to review regularly the Company's internal control system and its effectiveness.

Based on the control measures set out above, the Company considers that: (a) the factors to be taken into consideration in calculating all the above services fees are in line with the normal market practices; and (b) there should be no material difference between the pricing arrangements under the Operation Services Agreement and those with independent third parties, thereby ensuring that the service fees are on normal commercial terms after arm's length negotiations among the relevant parties to the agreements, and not more favourable to the other relevant contracting parties to the respective agreements, nor any less favourable to the Company and/or any of its affiliates, than those available to or from independent third parties under the same or similar conditions.

REASONS FOR AND BENEFITS OF ENTERING INTO THE OPERATION SERVICES AGREEMENT

In view of the fact that the business layout of the Group has extended from content production to pan-entertainment, and that the Group has a wealth of technology foundation, content production capabilities, IP derivative development experience and a broad customer base, the Group believes that the entering into of the Operation Services

Agreement is conducive to both parties to promote resources synergy, improve the operational efficiency, expand customer base, and create new business opportunities. In addition, in light of the growth potential of offline entertainment in the PRC, the business synergy of movie and live performance and the better mentality of content consumption users, both parties will further strengthen the collaboration efficiency upon the entering into of the Operation Services Agreement in the future.

Having reviewed the terms of the Operation Services Agreement, the Directors (excluding the independent non-executive Directors whose views will be given after considering the advice and recommendation of the Independent Financial Adviser) are of the view that the terms of the Operation Services Agreement and the Annual Caps are fair and reasonable, the transactions contemplated thereunder are on normal commercial terms and that the entering into of the Operation Services Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

As (i) each of Mr. Fan Luyuan, Mr. Meng Jun and Mr. Liu Zheng is an employee of AGH or its subsidiaries, and (ii) Mr. Li Jie is currently taking up a management role in a subsidiary of AGH, they are deemed or may be perceived to have a material interest in the Operation Services Agreement and the transactions contemplated thereunder (including the Annual Caps). As such, each of Mr. Fan Luyuan, Mr. Meng Jun, Mr. Liu Zheng and Mr. Li Jie has abstained from voting on the relevant resolution(s) of the Board in relation to the Operation Services Agreement and the transactions contemplated thereunder (including the Annual Caps). Save as disclosed above, none of the other Directors has a material interest in the Operation Services Agreement and the transactions contemplated thereunder (including the Annual Caps), and therefore none of them has abstained from voting on the said resolution(s) passed by the Board.

LISTING RULES IMPLICATIONS

Beijing Damai is a consolidated entity of AGH. AGH is the ultimate sole shareholder of Ali CV, which is a controlling shareholder and a connected person of the Company holding approximately 50.26% of the issued share capital of the Company as at the date of this announcement. Accordingly, Beijing Damai is an associate of Ali CV and hence a connected person of the Company. The entering into of the Operation Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the highest Annual Cap exceed(s) 5%, the entering into of the Operation Services Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INFORMATION ON THE COMPANY AND ZHONGLIAN SHENGSHI

The Company is listed on the Stock Exchange (stock code: 1060). 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: content, technology, and IP merchandising and commercialization. These segments encompass (i) investment in and production and distribution of entertainment content, such as film and drama series, both domestically and internationally; (ii) digitalization in the entertainment sector, including platform ticketing,

digital intelligence business and other technology products; and (iii) centered around content IP, provision of professional services such as IP development and operation, and production and distribution of IP derivatives, respectively.

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

INFORMATION ON AGH AND BEIJING DAMAI

AGH is a company incorporated in the Cayman Islands, with its American depositary shares, each representing eight ordinary shares, listed on the New York Stock Exchange (stock symbol: BABA), and its ordinary shares listed on the Main Board of the Stock Exchange (stock code: 9988).

Alibaba Group's mission is to make it easy to do business anywhere. Alibaba Group aims to build the future infrastructure of commerce and envisions that its customers will meet, work and live at Alibaba, and that it will be a good company that will last for 102 years. Alibaba Group's businesses are comprised of China commerce, international commerce, local consumer services, Cainiao logistics services, cloud services, digital media and entertainment, and innovation initiatives and others.

Beijing Damai, being a company established under the laws of the PRC, is a consolidated entity of AGH. Beijing Damai, together with its affiliates, is an integrated service provider in the live performance industry, whose businesses include ticketing services, on-site services, digital intelligence management services for the live performance industry, content development, investment and production of live performance, promotion and distribution services and commercialization services.

GENERAL

The SGM will be convened at which a resolution will be proposed to seek the Independent Shareholders' approval of the Operation Services Agreement and the transactions contemplated thereunder (including but not limited to the Annual Caps). Ali CV and its associates are required to abstain from voting at the SGM. Further, as each of Mr. Fan Luyuan and Mr. Meng Jun is an employee of AGH or its subsidiaries, and is also a Director and a Shareholder, and Mr. Li Jie is currently taking up a management role in a subsidiary of AGH, and is also a Director and a Shareholder, they will voluntarily abstain from voting at the SGM. As at the date of this announcement, Mr. Fan Luyuan, Mr. Meng Jun and Mr. Li Jie were respectively interested in 245,000 Shares, 46,447 Shares and 2,304,723 Shares, representing approximately 0.00%, 0.00% and 0.01% of the total issued share capital of the Company. Based on the information, belief and knowledge of the Company, save as disclosed in, and as at the date of, this announcement, no other Shareholder has any material interest in the Operation Services Agreement and the transactions contemplated thereunder (including the Annual Caps) and therefore no other Shareholder is required to 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 regarding the Operation Services Agreement and the transactions contemplated thereunder (including the Annual Caps). The Company has appointed Opus Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other matters, (i) further details of the Operation Services Agreement and the transactions contemplated thereunder (including the Annual Caps); (ii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; and (iv) a notice to convene the SGM will be despatched to the Shareholders on or before March 15, 2022 as more time will be required to finalize certain information to be included in the circular.

DEFINITIONS

“associate(s)” , “connected person(s)” , “controlling shareholder(s)” and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules
“affiliates(s)”	with respect to any designated entity, any other entity that controls, is controlled by, or is under common control with, such entity, either directly or indirectly through one or more intermediaries. For the purpose of this definition, “control” means the possession, directly or indirectly, of the power to influence an entity, whether by ownership or voting rights of securities, contract or otherwise
“AGH”	Alibaba Group Holding Limited, a company incorporated in the Cayman Islands, with its American depositary shares, each representing eight ordinary shares, listed on the New York Stock Exchange (stock symbol: BABA), and its ordinary shares listed on the Main Board of the Stock Exchange (stock code: 9988)
“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 service fees payable by Beijing Damai and/or its affiliates to Zhonglian Shengshi for the transactions contemplated under the Operation Services Agreement for the three financial years ending March 31, 2023, March 31, 2024 and March 31, 2025, and each an “Annual Cap”
“Beijing Damai”	北京大麥文化傳媒發展有限公司 (Beijing Damai Cultural Media Development Co., Ltd.*), a company established under the laws of the PRC with limited liability and a consolidated entity of AGH
“Board”	the board of Directors

“Commencement Date”	April 1, 2022 or the date on which the Company fulfils and obtains all necessary requirements and approvals under the Listing Rules (including but not limited to the passing of the necessary resolution(s) by the Independent Shareholders at the SGM to approve the Operation Services Agreement and the transactions contemplated thereunder) for the Operation Services Agreement and the transactions contemplated thereunder, whichever is later
“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 (stock code: 1060)
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Incentive Payment”	The incentive payment payable by Beijing Damai to Zhonglian Shengshi on the condition that Zhonglian Shengshi and/or its affiliates successfully assist(s) Beijing Damai in achieving its business objectives or financial targets for any specific financial year during the term of the Operation Services Agreement
“Independent Board Committee”	the independent committee of the Board comprising, all the independent non-executive Directors, namely Ms. Song Lixin, Mr. Tong Xiaomeng and Mr. Johnny Chen, established to advise the Independent Shareholders on the Operation Services Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Independent Financial Adviser”	Opus Capital 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 on the Operation Services Agreement and the transactions contemplated thereunder (including the Annual Caps)

“Independent Shareholders”	the Shareholders (other than Ali CV and its associates) who are not prohibited under the Listing Rules from voting at the SGM to approve the Operation Services Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Operation Services”	has the meaning as defined in the section headed “OPERATION SERVICES AGREEMENT – Subject Matter and Pricing Basis” of this announcement
“Operation Services Agreement”	the operation services agreement dated February 8, 2022 entered into between Beijing Damai and Zhonglian Shengshi in relation to the provision of the Operation Services by Zhonglian Shengshi and/or its affiliates to Beijing Damai and/or its affiliates
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	the special general meeting of the Company to be convened for the Independent Shareholders to consider, and if thought fit, approve the Operation Services Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Share(s)”	ordinary share(s) of HK\$0.25 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Zhonglian Shengshi”

中聯盛世文化（北京）有限公司 (Zhonglian Shengshi Culture (Beijing) Co., Ltd.*)，a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

“%”

per cent

** For identification purposes only*

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

Hong Kong, February 8, 2022

As at the date of this announcement, the Board comprises Mr. Fan Luyuan, Mr. Li Jie and Mr. Meng Jun, being executive directors; Mr. Liu Zheng, being a non-executive director; and Ms. Song Lixin, Mr. Tong Xiaomeng and Mr. Johnny Chen, being independent non-executive directors.