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**Alibaba Pictures Group Limited**  
**阿里巴巴影业集团有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1060)**

**CONTINUING CONNECTED TRANSACTIONS**  
**CONTRACTUAL ARRANGEMENTS**

**VIE RESTRUCTURING AND CONTRACTUAL ARRANGEMENTS**

References are made to the Annual Reports in relation to the Contractual Arrangements.

As disclosed in the Annual Reports, during the financial year ended March 31, 2021, each of the four Ex-Registered Owners under the Previous Contractual Arrangements entered into equity transfer agreements with Beijing Baoxuan Yingcheng, pursuant to which (a) the two Ex-Registered Owners agreed to transfer 50% and 50% of the equity interests in each of Zhonglian Jinghua and Beijing Ali Tao respectively to Beijing Baoxuan Yingcheng, and (b) the other two Ex-Registered Owners agreed to transfer 50% and 50% of the equity interests in Shanghai Tao Piao Piao respectively to Beijing Baoxuan Yingcheng. On the same day, as each of the Opcos (i.e. Zhonglian Jinghua, Beijing Ali Tao and Shanghai Tao Piao Piao) became owned as to 100% by Beijing Baoxuan Yingcheng, the Group entered into the Contractual Arrangements with the Opcos and Beijing Baoxuan Yingcheng (as the newly registered owner of the Opcos). The Contractual Arrangements contain substantially the same terms as the Previous Contractual Arrangements and enable the Group to continue, through the WFOEs, to maintain effective control over, and receive all the economic benefits generated by, the businesses operated by the Opcos, which in turn operate the Restricted Businesses through itself and its subsidiaries.

## **LISTING RULES IMPLICATIONS**

Upon a recent review by Alibaba Group of its overall VIE profile, the Company was informed that there was an Additional VIE Arrangement, pursuant to which Alibaba Holding obtains effective control over, and receives all the economic benefits of Beijing Baoxuan Yingcheng. Accordingly, Beijing Baoxuan Yingcheng is consolidated into the financial statements of Alibaba Holding under the Additional VIE Arrangement for accounting treatment purposes.

As such, Beijing Baoxuan Yingcheng, being an associate of Alibaba Holding (which in turn is the ultimate controlling shareholder and a connected person of the Company), was or is, as the case may be, a connected person of the Company as at the date when the Contractual Arrangements were entered into and as at the date of this announcement. Therefore, the continuing transactions under the Contractual Arrangements should constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules, and such transactions should be subject to all applicable reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **VIE RESTRUCTURING AND CONTRACTUAL ARRANGEMENTS**

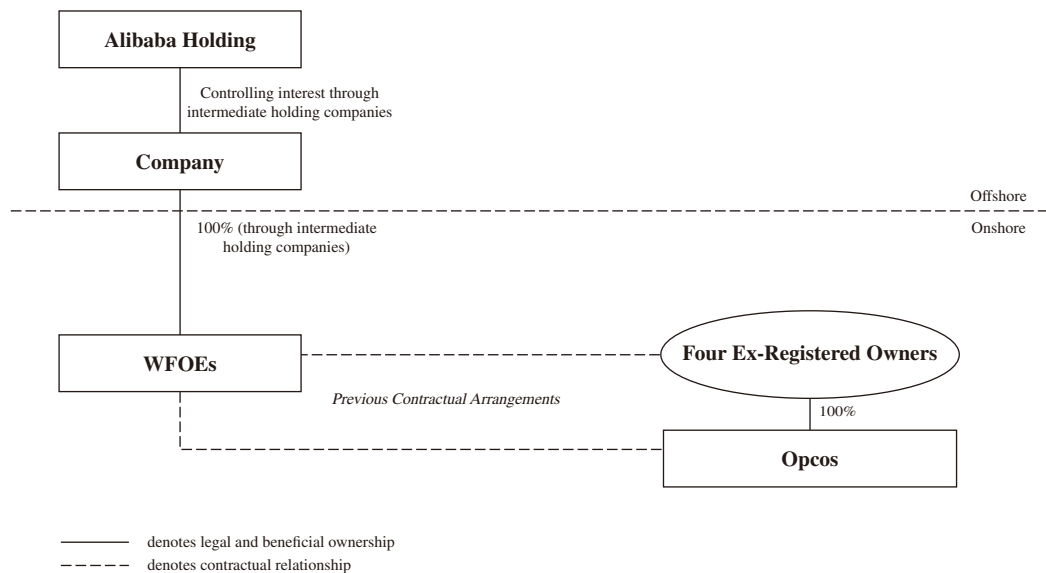
References are made to the Annual Reports in relation to the Contractual Arrangements.

As disclosed in the Annual Reports, the business of the Group involves the Restricted Businesses. As the applicable PRC laws and regulations in force restrict foreign investment in the Restricted Businesses and the Group does not fall under the limited exceptions under the relevant laws and regulations in the PRC, the Group adopted the Previous Contractual Arrangements and Contractual Arrangements, as the case may be, with respect to the Opcos, which have enabled the Group, through the WFOEs, to obtain effective control over, and receive all the economic benefits generated by, the businesses operated by the Opcos, which in turn operate the Restricted Businesses through itself and its subsidiaries.

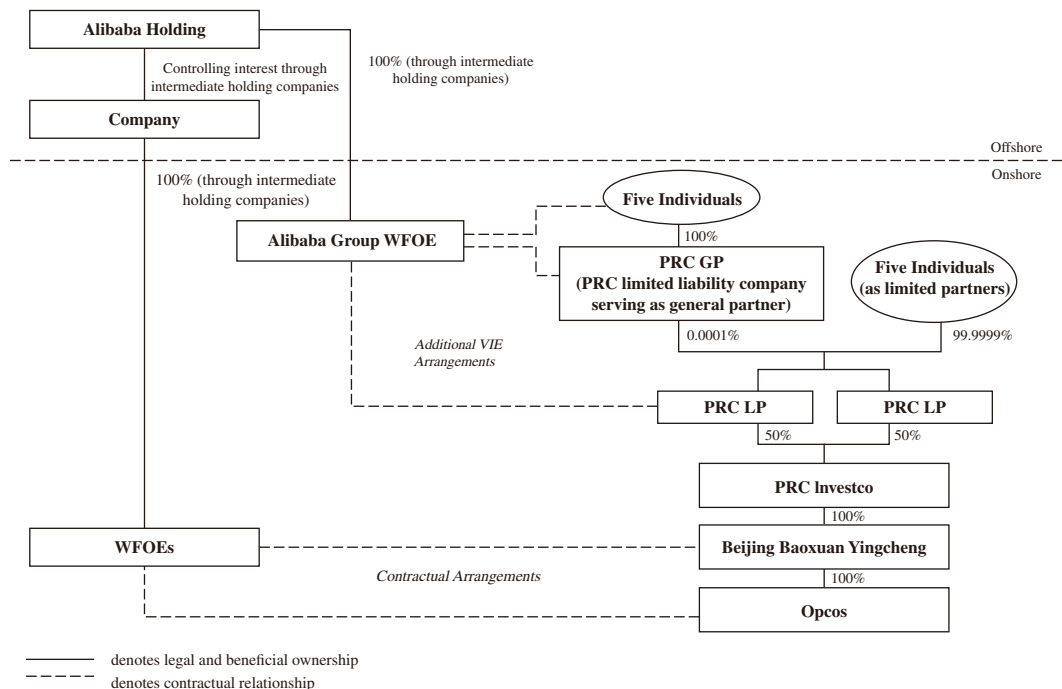
As part of Alibaba Holding’s strategy in enhancing the VIE structure, during the financial year ended March 31, 2021, the four Ex-Registered Owners under the Previous Contractual Arrangements entered into equity transfer agreements with Beijing Baoxuan Yingcheng, pursuant to which (a) two Ex-Registered Owners agreed to transfer 50% and 50% of the equity interests in each of Zhonglian Jinghua and Beijing Ali Tao respectively to Beijing Baoxuan Yingcheng, and (b) the other two Ex-Registered Owners agreed to transfer 50% and 50% of the equity interests in Shanghai Tao Piao Piao respectively to Beijing Baoxuan Yingcheng. On the same day, as each of the Opcos (i.e. Zhonglian Jinghua, Beijing Ali Tao and Shanghai Tao Piao Piao) became owned as to 100% by Beijing Baoxuan Yingcheng, the Group entered into the Contractual Arrangements with the Opcos and Beijing Baoxuan Yingcheng (as the newly registered owner of the Opcos). The Contractual Arrangements contain substantially the same terms as the Previous Contractual Arrangements and enable the Group to continue, through the WFOEs, to maintain effective control over, and receive all the economic benefits generated by, the businesses operated by the Opcos, which in turn operate the Restricted Businesses through itself and its subsidiaries.

### Diagrams of the Company’s VIE structure prior to and after the VIE Restructuring

The following simplified diagram illustrates the Company’s VIE structure under the Previous Contractual Arrangements prior to the VIE Restructuring.



The following simplified diagram illustrates the Company's VIE structure under the Contractual Arrangements upon completion of the VIE Restructuring.



## Reason for the VIE Restructuring

The VIE Restructuring was driven by Alibaba Group as part of its strategy in mitigating the underlying risks associated with VIEs.

The equity interest of each of the VIE under the Contractual Arrangements and the Additional VIE Arrangement is, instead of being held by individuals, held by multiple layers of entities including a PRC limited liability company, which in turn is indirectly held (through a layer of PRC limited partnerships and general partnership) by members of the Alibaba Partnership or Alibaba Group's management who are PRC citizens.

The benefits of the VIE Restructuring, in the Company's case, include:

- reducing the key man and succession risks associated with natural person VIE equity holders, through a new structure that has more widely dispersed interests among natural person interest holders; and
- creating a VIE ownership structure that is more stable and self-sustaining, by distancing the natural person interest holders with the VIE with multiple layers of legal entities, including a partnership structure that will provide further protection for the Company against any personal litigation and bankruptcy risks of the natural interest holders.

## Reasons for the use of Contractual Arrangements

As disclosed in the Annual Reports and above, as the applicable PRC laws and regulations in force restrict foreign investment in the Restricted Businesses which are fundamental to the Group's business, the Group has participated in the Restricted Businesses through the Previous Contractual Arrangements and the Contractual Arrangements, as the case may be. Following the VIE Restructuring, the Group, through the WFOEs, entered into three sets of Contractual Arrangements, which enabled it to continue to maintain effective control over, and receive all the economic benefits generated by, the businesses operated by the Opcos:

- (a) in respect of Zhonglian Jinghua, the Structured Contracts were entered into among Zhonglian Shengshi (as the Company's Subsidiary, i.e. one of the WFOEs), Zhonglian Jinghua (as the Opcos), and Beijing Baoxuan Yingcheng (as the Registered Owner);
- (b) in respect of Beijing Ali Tao, the Structured Contracts were entered into among Zhonglian Shengshi (as the Company's Subsidiary, i.e. one of the WFOEs), Beijing Ali Tao (as the Opcos), and Beijing Baoxuan Yingcheng (as the Registered Owner); and
- (c) in respect of Shanghai Tao Piao Piao, the Structured Contracts were entered into among Hangzhou Tao Piao Piao (as the Company's Subsidiary, i.e. one of the WFOEs), Shanghai Tao Piao Piao (as the Opcos), and Beijing Baoxuan Yingcheng (as the Registered Owner).

Each of the above sets of Contractual Arrangements includes substantially similar terms, and such terms are substantially consistent with the Previous Contractual Arrangements without substantive variation. For details of the Opcos and a summary of the major terms of the Contractual Arrangements, please refer to the Annual Reports. The Contractual Arrangements were narrowly tailored to achieve the Company's business purpose and minimize the potential for conflict with relevant PRC laws and regulations as the Contractual Arrangements are only used to enable the Company to control the Opcos that engage in the operation of the Restricted Businesses where PRC laws and regulations restrict foreign investment in the Restricted Businesses.

Through the Contractual Arrangements, the WFOEs have effective control over the Opcos and enjoy the entire economic benefits generated by the Opcos despite the lack of registered equity ownership. As a result of the Contractual Arrangements, the financial results of the Opcos have been consolidated into the consolidated financial statements of the Group under the prevailing accounting principles upon the entering into of the Contractual Arrangements.

## **Compliance of the Contractual Arrangements with applicable PRC laws**

Based on the opinion of the PRC Legal Adviser obtained at the time of entering into the Contractual Arrangements, the Contractual Arrangements were narrowly tailored so as to achieve the Company's business propose and minimize the potential for conflict with relevant PRC laws and regulations, and are valid, legal and do not violate any applicable laws, regulations and provisions under the PRC law or would not be deemed as "concealing illegal intentions with a lawful form" or be void under the applicable laws. None of the agreements under the Contractual Arrangements violates any provisions of the respective articles of association of the Opcos or the WFOEs and the Contractual Arrangements are also binding on the successor(s) of the signing parties to the Contractual Arrangements. Based on the opinion of the PRC Legal Adviser, the Board is of the view that the Contractual Arrangements are in compliance with applicable PRC laws.

## **Protection of the Company's interests in the event of winding-up of the Registered Owner**

Pursuant to the relevant equity interest pledge agreements, upon breach of the obligations by the Registered Owner under the Contractual Arrangements, the relevant WFOE has the right to enforce the equity pledge of interest in the Opcos. In light of the above, the Board confirms that appropriate arrangements have been made to protect the Company's interests in the event of winding-up of the Registered Owner to avoid any practical difficulties in enforcing the Contractual Arrangements.

## **Conflicts of interest**

The Registered Owner has given its irrevocable undertakings in the relevant powers of attorney on shareholders' voting rights which address potential conflicts of interests that may arise in connection with the Contractual Arrangements. Pursuant to the relevant powers of attorney on shareholders' voting rights, the Registered Owner will irrevocably appoint any person as designated by the relevant WFOE as its representative, who is a PRC national, to act as its attorney on its behalf to exercise all rights in connection with matters concerning its rights as shareholder of the relevant Opco, including but not limited to: (a) attending the shareholders' meeting of the relevant Opco as representative of the relevant Registered Owner; (b) exercising shareholders' voting rights on resolutions at shareholders' meetings, including but not limited to, the designation and appointment of directors and other senior management that are subject to appointment by the shareholders; (c) other matters decided or executed by the shareholders pursuant to the relevant constitutional documents; and (d) signing relevant documents when the relevant Registered Owner sell or transfer all or part of its equity interests pursuant to the exclusive option agreements. Therefore, it is unlikely that there will be potential conflicts of interests between the Company and the Registered Owner.

## **Loss sharing**

Under the relevant PRC laws and regulations, none of the Company and the WFOE is legally required to share the losses of, or provide financial support to, the Opcos. Further, the Opcos are limited liability companies and shall be solely liable for their own debts and losses with assets and properties owned by them. Nevertheless, the WFOEs intend to continuously provide to or assist the Opcos in obtaining financial support when deemed necessary. In addition, given that the Group conducts a substantial portion of its business operations in China through the Opcos, and that their financial position and results of operations are consolidated into the Group's financial statements under the applicable accounting principles, the Company's business, financial position and results of operations would be adversely affected if the Opcos suffer losses.

## **Confirmation on interference and encumbrance**

As at the date of this announcement, the Group has not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through the Opcos under the Contractual Arrangements.

## **Board's view on the Contractual Arrangements**

Based on the above and the opinion of the PRC Legal Adviser, the Board is of the view that the Contractual Arrangements are in compliance with the requirements under paragraph 16 of the guidance letter HKEx-GL77-14 and the Contractual Arrangements conferring significant control and economic benefits from the Opcos are enforceable under the PRC laws and regulations.

## **Risk and limitations relating to the Contractual Arrangements**

***If the PRC government finds that the Contractual Arrangements that allow the Company to consolidate the results of operations, assets and liabilities, and cash flows of the Opcos which operate the Restricted Businesses do not comply with the applicable PRC laws and regulations, the Company could be subject to penalties and its business may be materially and adversely affected***

Notwithstanding the PRC Legal Adviser is of the view that the Contractual Arrangements are valid, legal and binding on and enforceable against all the signing parties to the Contractual Arrangements, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations; accordingly, the PRC regulatory authorities may take a view that is contrary to the opinion of the PRC Legal Adviser. It is uncertain whether any other new PRC laws or regulations relating to the Opcos structures will be adopted or if adopted, what they would provide. If the Company or its Opcos are found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures, including:

- revoking the Group's business and operating licenses;
- discontinuing or restricting the Group's operations;
- imposing fines or confiscating any of the Group's income that they deem to have been obtained through illegal operations;
- imposing conditions or requirements with which the Company or the Opcos may not be able to comply;
- requiring the Group or the Opcos to restructure the relevant ownership structure or operations;  
or
- taking other regulatory or enforcement actions that could be harmful to the Group's business.

The imposition of any of these penalties could have a material and adverse effect on the Group's business, financial condition and results of operations. If any of these penalties results in the Group's inability to direct the activities of any of the Opcos that most significantly impact its economic performance, and/or the Group's failure to receive the economic benefits from any of the Opcos, the Company may not be able to consolidate the entity in its consolidated financial statements.



***Certain terms of the Contractual Arrangements may not be enforceable under the PRC laws***

The Contractual Arrangements provide that the arbitration tribunal may award remedies over the shares and/or assets of the Opcos or injunctive relief (e.g., for the conduct of business or to compel the transfer of assets) or order the winding up of the Opcos, and any party may apply to the courts of Hong Kong, Bermuda (being the place of incorporation of the Company) and China (being the place of incorporation of the Opcos and the place where the principal assets of the WFOEs or the Opcos are located) for interim remedies or injunctive relief. However, pursuant to the PRC laws, the arbitration tribunal may have no power to grant the aforementioned remedies or injunctive relief or to order the winding up of the Opcos. In addition, even though the Contractual Arrangements provide that overseas courts (e.g., courts in Hong Kong and Bermuda) shall have the power to grant certain relief or remedies, such relief or remedies may not be recognized or enforced under the PRC laws. As a result, in the event that the Opcos or the Registered Owner breach(es) the terms of the Contractual Arrangements, the WFOEs may not be able to obtain sufficient remedies in a timely manner, and its ability to exert effective control over the Opcos could be materially and adversely affected.

***The Contractual Arrangements may not be as effective in providing control over the Opcos as equity ownership***

The Group has relied and expects to continue to rely on the Contractual Arrangements with the Opcos and the Registered Owner to operate the Restricted Businesses.

If the Company had equity ownership of the Opcos, the Company would be able to exercise its rights as a shareholder to effect changes in the board of directors of the Opcos, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. However, under the Contractual Arrangements, the Group relies on the performance by the Opcos and the Registered Owner of their obligations under the contracts to exercise control over the Opcos. However, the Registered Owner may not act in the best interests of the Group or may not perform its obligations under these contracts. Such risks exist throughout the period in which the Group intends to operate its business through the Contractual Arrangements with the Opcos. The Company may replace the registered owner of the Opcos at any time pursuant to the Contractual Arrangements with the Opcos and the Registered Owner. However, if any dispute relating to these contracts remains unresolved, the Group will have to enforce its rights under these contracts through the operation of PRC law and courts and therefore will be subject to uncertainties in the PRC legal system. Therefore, the Contractual Arrangements with the Opcos may not be as effective in ensuring the Company's control over the relevant portion of its business operations as equity ownership would be.

***Any failure by the Opcos or the Registered Owner to perform their obligations under the Contractual Arrangements would potentially lead to the Company having to incur additional costs and expend material resources to enforce such arrangements, and/or temporary or permanent loss of control over the Restricted Businesses and the revenue from these businesses***

If the Opcos or the Registered Owner fail to perform their respective obligations under the Contractual Arrangements, the Group may have to incur additional costs and expend material resources to enforce such arrangements, and/or this may lead to the Group's temporary or permanent loss of control over the Restricted Businesses and the revenue from these businesses. The Group may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and claiming damages, which the Company cannot guarantee the Shareholders will be effective. For example, if the Registered Owner refuses to transfer its equity interest in the Opcos to the Company or its designee when the relevant WFOE exercises the purchase option pursuant to the Contractual Arrangements, or if it otherwise acts in bad faith towards the Group, the Group may have to take legal actions to compel it to perform its contractual obligations.

In the event the Group is unable to enforce the Contractual Arrangements, the Company may not be able to exert effective control over the Opcos, and the Group's ability to conduct its businesses may be negatively affected, which may have a material and adverse effect on the Group's financial condition and results of operations.

***The Registered Owner may have potential conflicts of interest with the Group, which may materially and adversely affect its business and financial condition***

The Registered Owner may have potential conflicts of interest with the Group. The Registered Owner may breach, or cause the Opcos to breach, or refuse to renew, the Contractual Arrangements the Group has with them and the Opcos, which would have a material and adverse effect on the Company's ability to effectively control its consolidated affiliated entities and receive substantially all the economic benefits from it. The Company cannot guarantee the Shareholders that when conflicts of interest arise, the Registered Owner will act in the best interests of the Group or such conflicts will be resolved in the Group's favour. If the Group cannot resolve any conflict of interest or dispute between the Group and the Registered Owner, the Group would have to rely on legal proceedings, which could result in disruption of its business and subject the Group to substantial uncertainty as to the outcome of any such legal proceedings.

***The Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and they may determine that the Company or the Opcos owe(s) additional taxes, which could negatively affect the Group's financial condition and the value of the Shareholders' investment***

Under applicable PRC laws and regulations, transactions among related parties may be subject to audit or challenge by the PRC tax authorities. If the PRC tax authorities deem the Contractual Arrangements were not entered into on an arm's-length basis and resulted in deferral or underpayment in taxes, they are entitled to make special tax adjustments which might result in the increase of the Opcos' tax liabilities. If the tax authorities conduct special tax adjustments, they might impose interest charges for the underpaid taxes. The Group's financial position could be adversely affected if the Opcos' tax liabilities increase or if they are required to pay interest charges.

***If any of the WFOEs or the Opcos becomes the subject of a bankruptcy or liquidation proceeding, the Company may lose the ability to use and enjoy certain important assets, which could materially and adversely affect its businesses***

The Opcos contribute a substantial portion of the Group's revenue. The Contractual Arrangements contain terms that specifically obligate the Registered Owner to ensure the valid existence of the Opcos and restrict the disposition of material assets or any equity interest of the Opcos. However, in the event the Registered Owner breaches the terms of the Contractual Arrangements and voluntarily liquidates the Opcos, or the Opcos declare bankruptcy and all or part of its assets become subject to liens or rights of third-party creditors, or are otherwise disposed of without the Company's consent, the Group may be unable to operate some or all of its business, which could have a material adverse effect on the Group's business, financial condition and results of operations. Furthermore, if any of the Opcos undergoes a voluntary or involuntary liquidation proceeding, its equity holders or unrelated third-party creditors may claim rights to some or all of the assets of the Opcos, thereby hindering the Group's ability to operate its business as well as constraining its growth.

***The Company's exercise of the option to acquire the equity interests of the Opcos may be subject to certain limitations and the ownership transfer may incur substantial costs***

In case any of the WFOEs exercises its option to acquire all or part of the equity interest in the Opcos under the relevant exclusive option agreements, such acquisition may only be conducted to the extent as permitted by the applicable PRC laws and will be subject to necessary approvals and relevant procedures under applicable PRC laws. In addition, the aforementioned acquisitions may be subject to a permissible minimum price (such as an appraised value for the equity interest in the Opcos) or other limitations as imposed by applicable PRC laws. Further, a substantial amount of other costs (if any) and time may be involved in acquiring and transferring the ownership of the Opcos, which may have a material adverse impact on the WFOEs and/or the Company's businesses, prospects and profitability.

***The Company does not have any insurance which covers the risks relating to the Contractual Arrangements and the transactions contemplated thereunder***

The insurance of the Group does not cover the risks relating to the Contractual Arrangements and the transactions contemplated thereunder and the Company has no intention to purchase any new insurance in this regard. If any risk arises from the Contractual Arrangements in the future, such as those affecting the enforceability of the Contractual Arrangements and the relevant agreements for the transactions contemplated thereunder and the operation of Contractual Arrangements, the results of the Group may be adversely affected. However, the Group will monitor the relevant legal and operational environment from time to time to comply with the applicable laws and regulations. The Company will continue evaluating the feasibility, cost and benefit of insuring the transactions contemplated under the Contractual Arrangements.

***The Group's current corporate structure and business operations may be affected by the Foreign Investment Law***

On March 15, 2019, the National People's Congress promulgated the Foreign Investment Law (the "FIL"), which became effective on January 1, 2020 and replaced the outgoing laws regulating foreign investment in China, namely, the PRC Equity Joint Venture Law, the PRC Cooperative Joint Venture Law and the Wholly Foreign-owned Enterprise Law, as well their implementation rules and ancillary regulations, or the Outgoing FIE Laws.

Meanwhile, the Implementation Rules to the PRC Foreign Investment Law came into effect as of January 1, 2020, which clarified and elaborated the relevant provisions of the FIL. However, uncertainties still exist in relation to interpretation and implementation of the FIL, especially in regard to, including, among other things, the nature of consolidated affiliated entity contractual arrangements and specific rules regulating the organization form of foreign-invested enterprises within the five-year transition period. While the FIL does not define contractual arrangements as a form of foreign investment explicitly, it has a catch-all provision under the definition of “foreign investment” that includes investments made by foreign investors in the PRC through other means as provided by laws, administrative regulations or the State Council. The Company cannot guarantee the Shareholders that future laws and regulations will not provide for contractual arrangements as a form of such foreign investment. Therefore, there can be no assurance that the Company’s control over the Opcos through the Contractual Arrangements will not be deemed as foreign investment in the future. In the event that any possible implementing regulations of the FIL, or any other future laws, administrative regulations or provisions deem contractual arrangements as a means of foreign investment, or as otherwise in violation of such laws, administrative regulations or provisions, the Contractual Arrangements may be deemed as invalid and illegal, and the Group may be required to unwind the contractual arrangements and/or dispose of any affected business. Also, if future laws, administrative regulations or provisions mandate further actions to be taken with respect to the Contractual Arrangements, the Group may face substantial uncertainties as to whether the Group can complete such actions in a timely manner, or at all.

## **COMMERCIAL BENEFITS OF THE CONTRACTUAL ARRANGEMENTS**

As disclosed in the Annual Reports and above, the business of the Group involves the operation of the Restricted Businesses.

The Contractual Arrangements also allow the Group to:

- (a) have effective control over the finance and operation of the Opcos and to enjoy the entire economic interests and benefits granted by the Opcos; and
- (b) hold some key requisite PRC permits, licenses and approvals, including the permit to produce and distribute radio or television programs (廣播電視節目製作經營許可證), permit to distribute movies (電影發行經營許可證) and the value-added telecommunication business license (增值電信業務經營許可證) that are necessary for conducting the Restricted Businesses.

In light of the above, the Company believes the adoption of the Contractual Arrangements will create more value for the Shareholders. The Board (including the independent non-executive Directors) considers that the Contractual Arrangements and the transactions contemplated thereunder were determined after arm's length negotiation between the parties thereto and the Board is of the view that (a) the Contractual Arrangements are fundamental to the Group's legal structure and business operations; and (b) the Contractual Arrangements are on normal commercial terms or on terms more favourable to the Group, in the ordinary and usual course of business of the Group and are fair and reasonable or to the advantage of the Group, and are in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Upon a recent review by Alibaba Group of its overall VIE profile, the Company was informed that there was an Additional VIE Arrangement, pursuant to which Alibaba Holding obtains effective control over, and receives all the economic benefits of Beijing Baoxuan Yingcheng. Accordingly, Beijing Baoxuan Yingcheng is consolidated into the financial statements of Alibaba Holding under the Additional VIE Arrangement for accounting treatment purposes.

As such, Beijing Baoxuan Yingcheng, being an associate of Alibaba Holding (which in turn is the ultimate controlling shareholder and a connected person of the Company), was or is, as the case may be, a connected person of the Company as at the date when the Contractual Arrangements were entered into and as at the date of this announcement. Therefore, the continuing transactions under the Contractual Arrangements should constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules, and such transactions should be subject to all applicable reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best of knowledge, belief and information of Directors, having made all reasonable enquiries at the time of the VIE Restructuring and the date when the Contractual Arrangements were entered into, neither the Company nor the Directors were aware of the Additional VIE Arrangement which technically resulted in the continuing transactions under the Contractual Arrangements constituting continuing connected transactions for the Company under Chapter 14A of the Listing Rules. The Company would like to emphasize that, at the time of the VIE Restructuring and the date when the Contractual Arrangements were entered into, the Company had performed customary due diligence and during the due diligence conducted, the Company had confirmed that none of the Five Individuals were connected persons of the Company at the material time. As such, it was improbable for the Company to consider that Beijing Baoxuan Yingcheng was a connected person of the Company without knowledge of the Additional VIE Arrangement.

As a result, no announcement was published and no independent shareholders' approval had been obtained in relation to the Contractual Arrangements in accordance with the applicable compliance requirements under Chapter 14A of the Listing Rules at the time of entering into of the Contractual Arrangements. Despite this, the particulars of the Opcos and their respective registered owner and a summary of the major terms of the Contractual Arrangements have been disclosed in the Annual Reports.

Once the Directors became aware of the Additional VIE Arrangement and the related Listing Rules implications to the Contractual Arrangements arising from the Additional VIE Arrangement, the Company took steps to comply with the Listing Rules, including but not limited to the publication of this announcement and the appointment of the Independent Financial Adviser to explain why the Contractual Arrangements require a longer period and to confirm that it is normal business practice for the Contractual Arrangements to be of such duration. While the Company is willing to take all necessary steps to ensure re-compliance with the Listing Rules, the Company is of the view that it would not be meaningful for the Company to retrospectively hold a shareholders' meeting for the Contractual Arrangements for the following reasons:

- (a) the interests of the Shareholders have not been prejudiced as (i) the terms of the Contractual Arrangements are substantially consistent with the Previous Contractual Arrangements without substantive variation, and (ii) the purpose of the VIE Restructuring is to essentially reduce any key man and succession risks and personal litigation and bankruptcy risks that may arise from natural person VIE equity holders, by having a VIE structure with multiple layers of legal entities;
- (b) the Directors, including the independent non-executive Directors, have considered that the Contractual Arrangements are on normal commercial terms or on terms more favourable to the Group, in the ordinary and usual course of business of the Group and are fair and reasonable or to the advantage of the Group, and are in the interests of the Company and the Shareholders as a whole;
- (c) the Contractual Arrangements had been adopted since 2020 and all necessary factual information about the Contractual Arrangements have been disclosed in the Company's Annual Reports; and
- (d) it would be impracticable for the Company to reverse or unwind the VIE Restructuring and subject the same to Shareholders' approval, as (i) the VIE Restructuring had been completed in 2020; (ii) the Contractual Arrangements and the transactions contemplated thereunder are fundamental to the Group's legal structure and day-to-day business operations and are entered into for the benefit of the Group; and (iii) the Contractual Arrangements and the VIE Restructuring are in the interests of the Group and its Shareholders as a whole.

Going forward, the Company will continue to monitor its transactions to identify any change to the list of its connected persons through making enquiry to the counterparties and/or checking against the connected person database maintained by both the Company and Alibaba Group. The Company believes that such function would be an effective approach to identify connected persons of the Company so as to avoid any inadvertent omission and the recurrence of such similar event. Besides, the Board, the senior management team, the legal department and all business units of the Company will have regular trainings to keep up with the knowledge on compliance with the Listing Rules and applicable laws and regulations.

The Directors (including the independent non-executive Directors) are of the view that it is inappropriate for the Company to (a) set an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules; or (b) limit the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules on the following grounds:

- (a) the Previous Contractual Arrangements have been in place since on or around mid-2016 and the Contractual Arrangements have terms substantially consistent with those of the Previous Contractual Arrangements, and all necessary factual information about the Contractual Arrangements have been disclosed in the Annual Reports;
- (b) the Contractual Arrangements and the transactions contemplated thereunder are fundamental to the Group's legal structure and business operations as the adoption of the Contractual Arrangements enables the Group to continue, through the WFOEs, to maintain effective control over, and receive all the economic benefits generated by, the businesses operated by the Opcos and operate the Restricted Businesses;
- (c) the Contractual Arrangements are for fixed terms and for a fixed period, and are entered into for the benefit of the Group, and unlike typical connected transactions, since the Registered Owner acts as shareholder of the Opcos to facilitate the arrangements whereby economic benefits from the Opcos are transferred to the Company, there is no concern of leakage of economic benefits to connected persons to the detriment of minority shareholders of the Company under the Contractual Arrangements;
- (d) the Directors, including the independent non-executive Directors, consider that the Contractual Arrangements are on normal commercial terms or on terms more favourable to the Group, in the ordinary and usual course of business of the Group and are fair and reasonable or to the advantage of the Group, and are in the interests of the Company and the Shareholders as a whole; and



- (e) the Company believes that it will not be in the interests of the Company and the Shareholders to set any annual cap on the amounts of fees payable to the Company under the Contractual Arrangements.

Pursuant to Rule 14A.52 of the Listing Rules, as the term of the Contractual Arrangements exceeds three years, the Company has appointed the Independent Financial Adviser to explain why a term longer than three years is required and to confirm that it is normal commercial practice for the Contractual Arrangements of this type to be of such duration. The opinion of the Independent Financial Adviser is set out in the section headed “OPINION FROM THE INDEPENDENT FINANCIAL ADVISER” in this announcement.

Based on the above, the Contractual Arrangements shall continue to be in place for so long as the shares of the Company are listed on the Stock Exchange subject to the following internal measures to safeguard the Contractual Arrangements:

**(a) No change without independent non-executive Directors’ approval**

No change to the terms of any of the agreements constituting the Contractual Arrangements will be made without the approval of the independent non-executive Directors.

**(b) No change without independent Shareholders’ approval**

No change to the terms of any of the agreements constituting the Contractual Arrangements will be made without the approval of the independent Shareholders.

**(c) Economic benefits flexibility**

The Contractual Arrangements shall continue to enable the Group to receive the economic benefits derived by the Opcos through (i) the Group’s option, to the extent permitted under PRC laws and regulations to acquire, all or part of the equity interest in the Opcos, (ii) the business structure under which the net profit generated by the Opcos is substantially retained by the Group, such that no annual cap shall be set on the amount of service fees payable to the WFOEs by the Opcos under the relevant exclusive service agreements, and (iii) the Group’s right to control the management and operation of, as well as, in substance, all of the voting rights of the Opcos as appointed by Beijing Baoxuan Yingcheng.

**(d) Ongoing reporting and approvals**

The Group will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:

- (i) The Contractual Arrangements in place during each financial period will continue to be disclosed in the Company's annual report in accordance with relevant provisions of the Listing Rules and/or guidance letter(s) issued by the Stock Exchange from time to time.
- (ii) The independent non-executive Directors will review the Contractual Arrangements annually and confirm in the Company's annual report for the relevant year that:
  - (A) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements;
  - (B) no dividends or other distributions have been made by the Opcos to Beijing Baoxuan Yingcheng which are not otherwise subsequently assigned or transferred to the Group; and
  - (C) any contracts renewed between the Group and the Opcos during the relevant financial period are fair and reasonable, or advantageous, so far as the Group is concerned and in the interests of the Shareholders as a whole.
- (iii) The Company's auditors will carry out procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to the Directors with a copy provided to the Stock Exchange, confirming that the transactions have received the approval of the Directors, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by the Opcos to Beijing Baoxuan Yingcheng which are not otherwise subsequently assigned or transferred to the Group.

- (iv) For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of “connected person”, each of the Opcos will be treated as the Company’s wholly-owned Subsidiary, but at the same time, the directors, chief executive or substantial shareholders of each of the Opcos and their respective associates will be treated as connected persons of the Company, and transactions between these connected persons and the Group, other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.
- (v) Each of the Opcos will undertake that, for so long as the shares of the Company are listed on the Stock Exchange, each of the Opcos will provide the Group’s management and the Company’s auditors with full access to its relevant records for the purpose of the Company’s auditors’ review of the continuing connected transactions.

## **OPINION FROM THE INDEPENDENT FINANCIAL ADVISER**

The Independent Financial Adviser considers that in relation to the Contractual Arrangements, (a) the continuing connected transactions in respect of the Contractual Arrangements have been entered into in the Group’s ordinary and usual course of business on normal commercial terms, on terms that are fair and reasonable, and in the interests of the Company and the Shareholders as a whole; (b) a term of longer than three years is required for the Contractual Arrangements; and (c) it is normal business practice for the Contractual Arrangements to be of such duration exceeding three years, taking into account in particular: (i) its discussion with the management of the Company, including regarding the advice of the PRC Legal Adviser about the necessity of the Contractual Arrangements; (ii) the fact that, as the contractual arrangement structure thereunder is a long-term arrangement, it would be unduly burdensome and impractical for the Company to renew the Contractual Arrangements every three years or less; and (iii) the fact that the duration of similar arrangements of other listed issuers on the Stock Exchange are normally infinite until termination, or infinite in practice, or of long tenure of 10 to 20 years.

## **INFORMATION ABOUT THE PARTIES**

The Company was incorporated in Bermuda and the Shares are listed on the Main Board of the Stock Exchange. The Company is an investment holding company and the Group focuses on developing the full business potential of integration and innovative applications of the internet and traditional film and television industries. The core business of the Company includes 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.

Alibaba Holding is a company incorporated in the Cayman Islands, with its American depositary shares, each representing eight ordinary shares, listed on the New York Stock Exchange (stock symbol: BABA), and its ordinary shares listed on the Main Board of the Stock Exchange (stock 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 lasts for 102 years. Alibaba Group's businesses comprise China commerce, International commerce, Local consumer services, Cainiao logistics services, Cloud services, Digital media and entertainment and Innovation initiatives and others.

Zhonglian Shengshi is a company established in the PRC with limited liability and an indirect wholly-owned Subsidiary of the Company. It primarily engages in investment holding.

Hangzhou Tao Piao Piao is a company established in the PRC with limited liability and an indirect wholly-owned Subsidiary of the Company. It primarily engages in online movie ticketing agency.

Zhonglian Jinghua is a company established in the PRC with limited liability and an indirect Subsidiary of the Company. It is primarily engaged in investment holding.

Beijing Ali Tao is a company established in the PRC with limited liability and an indirect Subsidiary of the Company. It is primarily engaged in investment holding.

Shanghai Tao Piao Piao is a company established in the PRC with limited liability and an indirect Subsidiary of the Company. It is primarily engaged in film investment, film distribution, ticketing agency, technological consultation, technology transfer and technology services in the professional field of network technology and e-commerce.

Beijing Baoxuan Yingcheng is a company established in the PRC with limited liability and a consolidated entity of Alibaba Holding. It is primarily engaged in investment holding and as the registered owner of the Opcos. It is ultimately owned by the Five Individuals, whom are members of the Alibaba Partnership and Alibaba Holding's management and are PRC citizens.

## DEFINITIONS

“Additional VIE Arrangement”	an additional layer of contractual arrangements which comprises the loan agreements, the exclusive call option agreements, the proxy agreements, the equity pledge agreements and the exclusive service agreements, entered into among, the Five Individuals, the PRC GP, the PRC LPs and Alibaba Group WFOE on September 1, 2016
“Ali CV”	Ali CV Investment Holding Limited, a company incorporated in the Cayman Islands and the controlling shareholder of the Company and an indirect wholly-owned subsidiary of Alibaba Holding
“Alibaba Group”	Alibaba Holding and its Subsidiaries, for the purpose of this announcement, excluding the Group
“Alibaba Group WFOE”	a wholly-owned Subsidiary of Alibaba Holding
“Alibaba Holding”	Alibaba Group Holding Limited (阿里巴巴集團控股有限公司), a company incorporated in the Cayman Islands, with its American depositary shares, each representing eight ordinary shares, listed on the New York Stock Exchange (stock symbol: BABA), and its ordinary shares listed on the Main Board of the Stock Exchange (stock code: 9988) and the ultimate controlling shareholder of the Company
“Annual Reports”	the annual reports for the years ended March 31, 2020, 2021 and 2022 of the Company
“associate(s)”	has the meaning given to it under the Listing Rules
“Beijing Ali Tao”	Beijing Ali Tao Movie & TV Culture Co., Ltd.* (北京阿里淘影視文化有限公司), a company established in the PRC with limited liability and a consolidated Subsidiary of the Company
“Beijing Baoxuan Yingcheng” or “Registered Owner”	Beijing Baoxuan Yingcheng Culture Co., Ltd.* (北京寶軒影橙文化有限公司), a company established in the PRC with limited liability and a consolidated entity of Alibaba Holding
“Board”	the board of directors of the Company

“Company”	Alibaba Pictures Group Limited (阿里巴巴影業集團有限公司), a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1060)
“connected person(s)”	has the meaning given to it under the Listing Rules
“Contractual Arrangements”	the series of contractual arrangements, which comprise the exclusive service agreements, the loan agreements, the equity interest pledge agreements, the powers of attorney on shareholders’ voting rights and the exclusive option agreements, entered into among each of the WFOEs, each of the Opcos and Beijing Baoxuan Yingcheng on July 16, 2020, details of which are set out in the section headed “Contractual Arrangements” in the Annual Reports
“controlling shareholder”	has the meaning given to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Ex-Registered Owners”	the individual registered owners of each of the Opcos prior to the VIE Restructuring, being a total of four individuals
“Five Individuals”	five selected members of the Alibaba Partnership or Alibaba Holding’s management who are PRC citizens
“Group”	the Company and its Subsidiaries
“Hangzhou Tao Piao Piao”	Hangzhou Tao Piao Piao Movie & TV Culture Co., Ltd.* (杭州淘票票影視文化有限公司), a company established in the PRC with limited liability and an indirect wholly-owned Subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

“Independent Financial Adviser”	Altus Capital Limited, a corporation licensed to carry out Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities under the SFO, which has been appointed as the independent financial adviser of the Company for the purpose of Rule 14A.52 of the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Opcos”	Zhonglian Jinghua, Beijing Ali Tao and Shanghai Tao Piao Piao
“PRC” or “China”	the People’s Republic of China
“PRC GP”	a company established in the PRC with limited liability serving as a general partner of the PRC LPs
“PRC Investco”	Hangzhou Baoxuan Investment Management Co., Ltd.* (杭州寶軒投資管理有限公司), a company established in the PRC with limited liability, which is held as to 50% by each of the PRC LPs
“PRC Legal Adviser”	the PRC legal counsel to the Company in relation to the Contractual Arrangements
“PRC LPs”	Hangzhou Chengbao Investment Management Partnership (Limited Partnership)* (杭州橙寶投資管理合夥企業(有限合夥)) and Hangzhou Xibao Investment Management Partnership (Limited Partnership)* (杭州熹寶投資管理合夥企業(有限合夥)), limited partnerships established in the PRC
“Previous Contractual Arrangements”	the series of contractual arrangements, which comprise the exclusive service agreements, the loan agreements, the equity interest pledge agreements, the powers of attorney on shareholders’ voting rights and the exclusive option agreements, entered into among each of the WFOEs, each of the Opcos and the four Ex-Registered Owners in or around 2015 and 2016, details of which are set out in the section headed “Contractual Arrangements” in the annual report for the year ended March 31, 2020

“Restricted Businesses”	movie production and distribution, radio and television programs production and operation, online data and transaction processing for online movie and live events ticketing platforms, internet information services for distributing information about investment in movies, television programs and entertainment business, and investment in movies, television programs and entertainment businesses in the PRC
“Shanghai Tao Piao Piao”	Shanghai Tao Piao Piao Movie & TV Culture Co., Ltd.* (上海淘票票影視文化有限公司), a company established in the PRC with limited liability and a consolidated Subsidiary of the Company
“Share(s)”	ordinary share(s) of HK\$0.25 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structured Contracts”	a series of exclusive service agreements, loan agreements, equity interest pledge agreements, powers of attorney on shareholders’ voting rights and exclusive option agreements
“Subsidiary/(ies)”	has the meaning given to it under the Listing Rules
“substantial shareholder(s)”	has the meaning given to it under the Listing Rules
“VIE Restructuring”	the VIE restructuring pursuant to which (a) each of the two Ex-Registered Owners agreed to transfer 50% and 50% of the equity interests in each of Zhonglian Jinghua and Beijing Ali Tao respectively to Beijing Baoxuan Yingcheng, and (b) each of the other two Ex-Registered Owners agreed to transfer 50% and 50% of the equity interests in Shanghai Tao Piao Piao respectively to Beijing Baoxuan Yingcheng
“VIEs”	variable interest entity(ies)



“WFOEs”	Zhonglian Shengshi and Hangzhou Tao Piao Piao
“Zhonglian Jinghua”	Zhonglian Jinghua Culture Communication (Beijing) Co., Ltd.* (中聯京華文化傳播(北京)有限公司), a company established in the PRC with limited liability and a consolidated Subsidiary of the Company
“Zhonglian Shengshi”	Zhonglian Shengshi Culture (Beijing) Co., Ltd.* (中聯盛世文化(北京)有限公司), a company established in the PRC with limited liability and an indirect wholly-owned Subsidiary of the Company
“%”	per cent

By Order of the Board  
**Alibaba Pictures Group Limited**  
**Fan Luyuan**  
*Chairman and Chief Executive Officer*

\* *English names are for identification purposes only*

Hong Kong, June 30, 2023

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