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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)

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF THE SALE SHARES
INVOLVING ISSUE OF CONSIDERATION SHARES
AND
CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE NEW CONTRACTUAL ARRANGEMENTS**

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the Independent Board Committee and the Independent Shareholders**
ALTUS CAPITAL LIMITED

**ACQUISITION OF THE SALE SHARES INVOLVING ISSUE OF
CONSIDERATION SHARES**

On September 19, 2023, the Company and the Seller entered into the Share Purchase Agreement, pursuant to which the Company had conditionally agreed to acquire, and the Seller had conditionally agreed to sell, at Closing, the entire issued share capital of the Target Company in consideration for the issue of the Consideration Shares by the Company to the Seller.

Assuming 2,513,028,847 Consideration Shares are issued and allotted by the Company, such Consideration Shares represent approximately 9.3% of the total issued share capital of the Company as of the date of this announcement, and approximately 8.5% of the total issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares. Immediately after the issue and allotment of the Consideration Shares, Ali CV and the Seller will hold 45.74% and 8.52% of the total issued share capital of the Company, respectively, representing 54.26% of the total issued share capital of the Company under Alibaba Group.

THE CONTRACTUAL ARRANGEMENTS

The OPCOs adopt contractual arrangements to operate their businesses in the PRC as certain onshore entities operate in sectors that are subject to foreign investment restriction or prohibition under the applicable PRC laws and regulations, namely, the provision of internet information service, the conducting commercial internet cultural activities, the production and operation activities of radio and television programs.

In light of the aforementioned restrictions or prohibitions on foreign investment, the establishment of the contractual arrangements between Damai WFOE, the OPCOs, and the Registered Owner are necessary for the Group to proceed with the Acquisition. Thus, Damai WFOE, the OPCOs, and the Registered Owner entered into contractual arrangements on August 28, 2023 to enable the financial results, the entire economic benefits and risks of the businesses of the OPCOs to flow into the Damai WFOE and enable the Damai WFOE to gain control over the OPCOs.

LISTING RULES IMPLICATIONS

Based on the existing shareholding structure of Alibaba Holding (which in turn is the ultimate controlling shareholder and a connected person of the Company), the Seller of the Acquisition is an associate of Ali CV and thus a connected person of the Company. As such, the Acquisition and the transactions contemplated under the Share Purchase Agreement should constitute a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition and the transactions contemplated under the Share Purchase Agreement exceed 5% but all of them are less than 25%, the Acquisition constitutes a discloseable and connected transaction for the Company under Chapter 14 and Chapter 14A of the Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirement under the Listing Rules.

Alibaba Holding obtains effective control over, and receives all the economic benefits of the Registered Owner under other VIE arrangement, the Registered Owner is consolidated into the financial statements of Alibaba Holding for accounting treatment purposes. As such, the Registered Owner, 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. 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.

The Company has applied for a waiver from strict compliance with (i) the requirement of setting an annual cap for the transactions under the Structured Contracts under Rule 14A.53 of the Listing Rules, and (ii) the requirement of limiting the term of the Structured Contracts to a fixed term under Rule 14A.52 of the Listing Rules, since the Directors (excluding the independent non-executive Directors) are of the view that it is impractical and unduly burdensome and adds to the additional cost and administrative burden on the Company to adopt an annual cap or set a definite term to the Structured Contracts which may be otherwise detrimental to the commercial interest of the Company.

SGM

An SGM will be convened and held for the Independent Shareholders to consider and, and if thought fit, to approve the Acquisition (including the entering into of the Share Purchase Agreement and the issue and allotment of Consideration Shares under the Specific Mandate) and the Contractual Arrangements. A circular containing, among other things, (i) further information in relation to the Acquisition, the Share Purchase Agreement and the Contractual Arrangements; (ii) the recommendation from the Independent Board Committee and the recommendation from Altus Capital to the Independent Board Committee and the Independent Shareholders; (iii) the general information of the Group; and (iv) a notice of the SGM, is expected to be dispatched to the Shareholders on or before October 9, 2023.

An Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Acquisition (including the entering into of the Share Purchase Agreement and the issue and allotment of Consideration Shares under the Specific Mandate) and the Contractual Arrangements. Altus Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As Closing is subject to the fulfilment of several conditions which are detailed in the paragraph headed “Conditions Precedent” in this announcement, and the consummation of the said agreements are subject to the passing of the relevant resolution at the SGM, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the shares of the Company.

I. INTRODUCTION

On September 19, 2023, the Company (as the Purchaser) and Alibaba Investment (as the Seller) entered into the Share Purchase Agreement, pursuant to which the Purchaser had conditionally agreed to acquire and the Seller had conditionally agreed to sell, at Closing, the Sale Shares of the Target Company (which represents 100% of the total issued and outstanding share capital of the Target Company). The aggregate consideration shall be US\$167 million (equivalent to approximately HK\$1,307 million) and shall be satisfied by the Company allotting and issuing to the Seller 2,513,028,847 Consideration Shares at an Issue Price of HK\$0.52 per Consideration Share at Closing.

II. ACQUISITION OF THE SALE SHARES INVOLVING ISSUE OF CONSIDERATION SHARES

The terms of the Share Purchase Agreement were determined after arm's length negotiations between the parties thereto, and the principal terms of the Share Purchase Agreement are summarized below:

1. Share Purchase Agreement

Date

September 19, 2023

Parties

- (i) Alibaba Investment Limited as Seller; and
- (ii) the Company as Purchaser.

Subject Matter

The Purchaser has conditionally agreed to acquire, and the Seller has conditionally agreed to sell the Sale Shares, which represents 100% of the total issued and outstanding share capital of the Target Company.

Consideration

The aggregate consideration shall be US\$167 million (equivalent to approximately HK\$1,307 million) and shall be satisfied by the Company allotting and issuing to the Seller 2,513,028,847 Consideration Shares at an Issue Price of HK\$0.52 per Consideration Share at Closing.

The Consideration Shares represent approximately 9.3% of the issued share capital of the Company as at the date of this announcement and approximately 8.5% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. Based on the current shareholding structure of the Company, the Company will continue to satisfy the public float requirement under the Listing Rules following issue of the Consideration Shares.

The Consideration was arrived at after arm's length negotiations between the Company and the Seller, taking into account various factors, including:

- a) the unique market position of the Target Company as China's leading provider of live entertainment;
- b) the financial performance of the Target Company finely positioned to capture the strong recovery trend in China's live entertainment industry post pandemic;
- c) the growth potential in the scale and profitability of the Target Company, particularly the opportunity to diversify and expand presence along industry value chain, including events production and promotion, artists management and venue operation; and
- d) the strategic value of the Target Company to the Company's business operations, diversifying revenue structure into live entertainment and expanding IP monetization channels. The Acquisition would also strengthen the Company's competitive position by consolidating customer resources and the industry expertise from the Target Company.

Conditions precedent

Closing is conditional upon:

- (i) the representations and warranties by the Purchaser and the Seller as set forth in the Share Purchase Agreement, or otherwise contained or referred to herein shall be true and accurate in all material respects as of the Closing, as though made at such date with reference to the facts and circumstances existing at such time;

- (ii) all approvals, permits and consents that are required to be obtained by the Parties hereto in connection with any of the transactions contemplated under the Share Purchase Agreement or under other agreements to be entered into in connection herewith shall have been duly obtained and shall continue to be in effect. In particular: (x) the Listing Committee of the Stock Exchange shall have granted its approval for the listing of, and permission to deal in, the Consideration Shares and such approval and permission having not subsequently been revoked or withdrawn prior to the delivery of definitive share certificates representing the Consideration Shares; (y) the Board shall have approved the Acquisition and the issue and allotment of the Consideration Shares; (z) the Independent Shareholders shall have approved and passed at a special general meeting of the Company to be convened and held, of the necessary resolutions to approve the Acquisition, the issue and allotment of the Consideration Shares and grant its directors authority to issue and allot the Consideration Shares; and
- (iii) the purchase of the Sale Shares and the allotment, issuance and subscription of the Consideration Shares are not prohibited by any statute order rule regulation ruling directive or request promulgated or issued after the date of the Share Purchase Agreement and prior to Closing by any legislative executive or regulatory body or authority (including the Stock Exchange) which is applicable to the Purchaser and the Seller.

The parties shall use (to the extent they are able to) their respective best endeavors to procure the fulfillment of the above conditions on or before the long stop date as stated below or such other date as the parties may agree in writing. Save for conditions (ii) and (iii) which cannot be waived, none of the conditions as stated above have been fulfilled or waived as at the date of this announcement. There is no impact on the substance of the Acquisition if condition (i) is being waived.

Closing

Closing shall take place remotely via the exchange of electronic documents and signatures on the 30th Business Day after all closing conditions specified in the Share Purchase Agreement have been waived or satisfied.

Termination

The Share Purchase Agreement and the transactions contemplated shall be terminated:

- (i) upon mutual consent in writing of the Seller and the Purchaser;
- (ii) automatically if the Closing shall not have been consummated on or prior to March 31, 2024, provided that the Parties may agree in writing to extend the long stop date; or
- (iii) in the event of any misrepresentation or other breach under the Share Purchase Agreement which materially affects the Seller or any of the Purchaser upon written notice by such affected party if such breach is not remedied within 20 Business Days after a written notice is given to the breaching party by the affected party.

Issue of Consideration Shares

The Issue Price of HK\$0.52 per Consideration Share represents:

- (a) a discount of approximately 5.5% to the closing price of HK\$0.5500 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 0.3% to the average VWAP for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.5215 per Share;
- (c) a discount of approximately 0.1% to the average VWAP for the 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.5204 per Share;
- (d) a discount of approximately 0.9% to the average VWAP for the 15 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.5249 per Share;
- (e) equal to the average VWAP for the 20 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.5200 per Share;
- (f) a premium of approximately 0.7% to the average VWAP for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.5164 per Share; and
- (g) a discount of approximately 13.0% to the consolidated net asset value per Share of approximately RMB0.52 (equivalent to approximately HK\$0.60) based on a total of 26,975,740,156 Shares in issue, the consolidated net asset of approximately RMB14,110 million, and the exchange rate of RMB1.0 to HK\$1.1430 as of March 31, 2023.

The Issue Price was arrived at after arm's length negotiations between the Company and the Seller, taking into account various factors, including the average VWAP for the 30 consecutive trading days up to and include the Last Trading Day, as well as the factors described above.

The Consideration Shares, when fully paid, will rank *pari passu* in all respects among themselves and with the existing Shares in issue, including the right to receive all dividends and distributions which may be declared, made or paid after the Closing and will be issued free and clean of all liens, encumbrances, equities or other third party rights. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Pursuant to Rule 13.36(1) of the Listing Rules, the Consideration Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the SGM. After the Consideration Shares are issued and listed on the Stock Exchange, the Company will file with the regulatory authorities in the PRC in accordance with the relevant applicable laws and regulations, including the filing with the CSRC.

Potential Effects on the Shareholding Structure of the Company

Assuming 2,513,028,847 Consideration Shares are issued and allotted by the Company, such Consideration Shares represent approximately 9.3% of the total issued share capital of the Company as of the date of this announcement, and approximately 8.5% of the total issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares, assuming there will be no change in the issued share capital of the Company between the date of this announcement and the Closing (save for the issue and allotment of the Consideration Shares). Set out below is the shareholding structure of the Company (i) as of the date of this announcement; and (ii) immediately after the issue and allotment of the Consideration Shares, assuming that there is no change in the existing shareholding of the Company and 2,513,028,847 Consideration Shares were issued at the Closing:

	As of the date of this announcement		Immediately after the issue and allotment of the Consideration Shares	
	Number of Shares	Approximate % of shareholding	Number of Shares	Approximate % of shareholding
Alibaba Group				
Ali CV	13,488,058,846	50.0007	13,488,058,846	45.7396
Seller	—	—	2,513,028,847	8.5220
<i>Sub-total</i>	<i>13,488,058,846</i>	<i>50.0007</i>	<i>16,001,087,693</i>	<i>54.2616</i>
Directors				
FAN Luyuan	1,448,276	0.0054	1,448,276	0.0049
LI Jie	6,636,836	0.0246	6,636,836	0.0225
MENG Jun	512,499	0.0019	512,499	0.0017
<i>Sub-total</i>	<i>8,597,611</i>	<i>0.0319</i>	<i>8,597,611</i>	<i>0.0292</i>
Trustee of a share scheme	197,382,083	0.7317	197,382,083	0.6693
Other public Shareholders	13,281,701,616	49.2357	13,281,701,616	45.0399
Total	26,975,740,156	100.0000	29,488,769,003	100.0000

2. Information on the Parties

The Company

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 Group 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.

The Seller

The Seller is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. As of the date of this announcement, the Seller is wholly owned by Alibaba Holding.

Alibaba Holding

Alibaba Holding is a company incorporated in the Cayman Islands with its American depositary shares (the “ADSs”), each representing eight ordinary shares, listed on the New York Stock Exchange (stock symbol: BABA), and its ordinary shares listed on the Main Board of the Stock Exchange (stock codes: 9988 (HKD counter) and 89988 (RMB counter)). Alibaba Group’s mission is to “make it easy to do business anywhere”. Alibaba Group aims to build the future infrastructure of commerce and envisions that its customers will meet, work and live at Alibaba, and that it will be a good company that lasts for 102 years. 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.

3. Information about the Target Group

The Target Company

The Target Company is a company incorporated in the British Virgin Islands on December 17, 2004. Through Damai Brand, the Target Group is a leading provider of live performances, including concerts, musical festivals, live house performances, plays, sports events and exhibitions in the PRC. The Target Group served over 1.8 million events and had over 100 million registered customers cumulatively. The Target Group engages in the full life cycle of live performances, including production, promotion and ticketing. The Target Company, alongside its consolidated subsidiaries and affiliated consolidated entities, generated revenue of approximately RMB228 million for the financial year ended March 31, 2023.

Upon the Acquisition, together with the Target Company, the Group will be positioned as the flagship offline entertainment platform of the Alibaba Digital Media and Entertainment Group. By further expanding the upstream presence of Damai Brand in live entertainment industry value chain, such as events production and promotion, venue operation and artist management, the Company aims to strengthen scale advantages and barriers to entry, and further build brand awareness for its offline entertainment business.

As of the date of this announcement, the Target Company is directly wholly-owned by the Seller and is indirectly controlled by Alibaba Holding. In July 2014, the Seller subscribed for the preferred shares representing an approximately 32% in the equity interest on a fully-diluted basis in the Target Company for a total consideration of US\$133 million. In March 2017, the Seller acquired all of the issued and outstanding shares of the Target Company that it did not already own for a total consideration of US\$393 million, and the Target Company became the Seller's wholly-owned subsidiary.

Financial Information of the Target Company

Based on the unaudited financial information of the Target Group prepared in accordance with U.S. GAAP as of March 31, 2023, the net asset value of the Target Group was RMB723 million. Set out below is a summary of certain key unaudited financial information of the Target Group for the financial years ended March 31, 2021, 2022 and 2023, prepared in accordance with U.S. GAAP. There is no material difference between the U.S. GAAP and the Hong Kong Financial Reporting Standards in respect of the figures below.

	For the year ended March 31,		
	2021	2022	2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(unaudited)	(unaudited)	(unaudited)
Revenue	133,166	304,009	227,607
Net Loss	(576,775)	(141,169)	(229,193)
Adjusted Net Loss ^(note)	(321,609)	(138,030)	(99,418)

Note: The adjusted net loss excludes (i) the impact of stock-based compensation; and (ii) the profit generated in the year ended March 31, 2023 in relation to the Operation Services Agreement, which was entered into between Zhonglian Shengshi and Damai Development on February 8, 2022. The Company expects to terminate the Operation Services Agreement after Closing.

Attributed to the pandemic's impact on offline entertainment events, the Target Company recorded volatility in its historical financial performance and generated RMB133 million, RMB304 million and RMB228 million of revenue for the financial years ended March 31, 2021, 2022 and 2023, respectively.

The Target Company recorded net losses of approximately RMB577 million, RMB141 million and RMB229 million, respectively. The term of the Operation Services Agreement commenced on April 1, 2022, and the Company expects to terminate the Operation Services Agreement after Closing. Excluding the impact of stock-based compensation and the profit generated in the year ended March 31, 2023 in relation to the Operation Services Agreement, the adjusted net losses for the financial years ended March 31, 2021, 2022 and 2023 were RMB322 million, RMB138 million and RMB99 million, respectively.

Despite the Target Business has been loss-making for the three years ended March 31, 2023, it has recently witnessed material recovery in business. For the three months ended June 30, 2023, the Target Group recorded Gross Merchandise Volume (GMV) of over RMB4 billion, surpassing the GMV in financial year ended March 31, 2023 of approximately RMB3 billion. On a quarter-to-quarter basis, the GMV of the Target Group also increased by over 100% during the three months ended June 30, 2023. The significant recovery in operating results set a solid foundation for material improvements in the Target Group's financial performance. Furthermore, the Target Group is considered a strategically valuable asset to the Company, diversifying revenue structure into live entertainment and expanding IP monetization channels. The Acquisition would also strengthen the Company's competitive position by consolidating customer resources and the industry expertise from the Target Company.

III. INFORMATION OF THE CONTRACTUAL ARRANGEMENTS

1. Information about Damai WFOE and the OPCOs

Damai WFOE

Damai WFOE is a company established under the laws of the PRC with limited liability which will enjoy the economic interests and benefits of the OPCOs through the Structured Contracts. As of the date of this announcement, it is directly wholly-owned by the Target Company. Damai WFOE, alongside its consolidated subsidiaries and affiliated consolidated entities, is engaged in (i) ticketing services for various live entertainment events, such as concerts, music festivals, live houses, plays, sports events and exhibitions, and (ii) production and promotion of entertainment events and performances.

OPCOs

Damai Communication

Damai Communication was established under the laws of the PRC with limited liability on January 31, 2008. As of the date of this announcement, Damai Communication is wholly-owned by the Registered Owner. Damai Communication is principally engaged in offline entertainment business operations, including the scriptwriting and production of theatre shows, investment and production of live performances, and the provision of on-site execution consultation service for theater shows and live performances.

Damai Communication has obtained Commercial Performance License for its business operation. The Commercial Performance License was issued on June 22, 2007 and will expire on June 21, 2024. The Shanghai branch of Damai Communication is responsible for obtaining local approval for performances in Shanghai.

Damai Development

Damai Development was established under the laws of the PRC with limited liability on November 19, 2003. As of the date of this announcement, Damai Development is wholly-owned by the Registered Owner. Damai Development is principally engaged in the operation of ticketing platforms, which includes on-site support services such as ticketing verification, performance implementation services, publicity and marketing services and ticketing management systems. The “Damai APP” operated by Damai Development has also completed the regulatory filing for the provision of deep synthesis service.

Damai Development has obtained ICP License, Internet Cultural Business License, Radio and Television Program Production License and Commercial Performance License for its business operation. The ICP License covering information service business was issued on January 8, 2021 and will expire on April 9, 2024; the Internet Cultural Business License was issued on May 11, 2023 and will expire on May 10, 2026; the Radio and Television Program Production License was issued on November 7, 2022 and will expire on November 7, 2024; and the Commercial Performance License was issued on June 22, 2007 and will expire on June 21, 2024. The Chengdu and Xi’an branches of Damai Development are responsible for obtaining local approval for performances.

Jinmai Technology

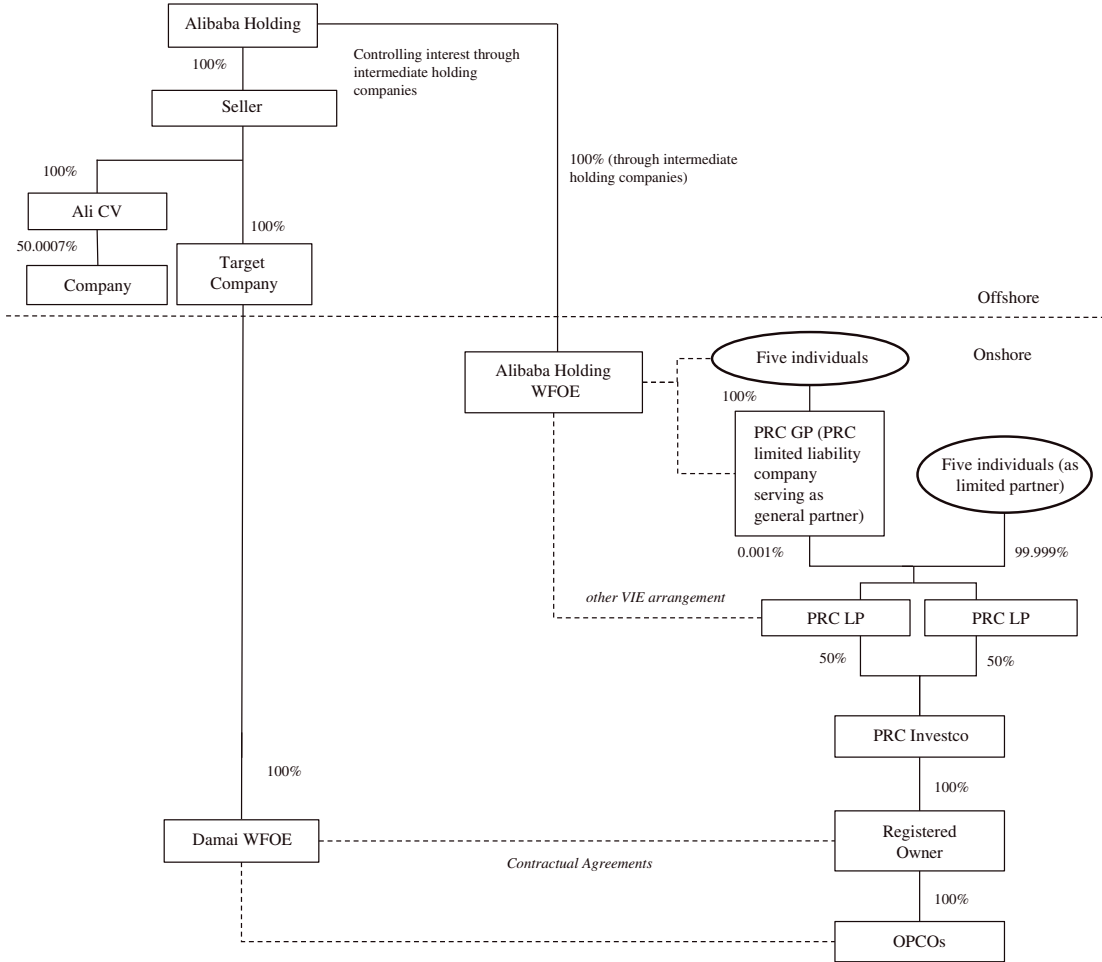
Jinmai Technology was established under the laws of the PRC with limited liability on August 9, 2012. As of the date of this announcement, Jinmai Technology is wholly-owned by the Registered Owner. Jinmai Technology is principally engaged in the operation of a ticketing platform for performances.

Jinmai Technology has obtained ICP License for its business operation. The ICP License covering information service business was issued on November 30, 2020 and will expire on September 3, 2024.

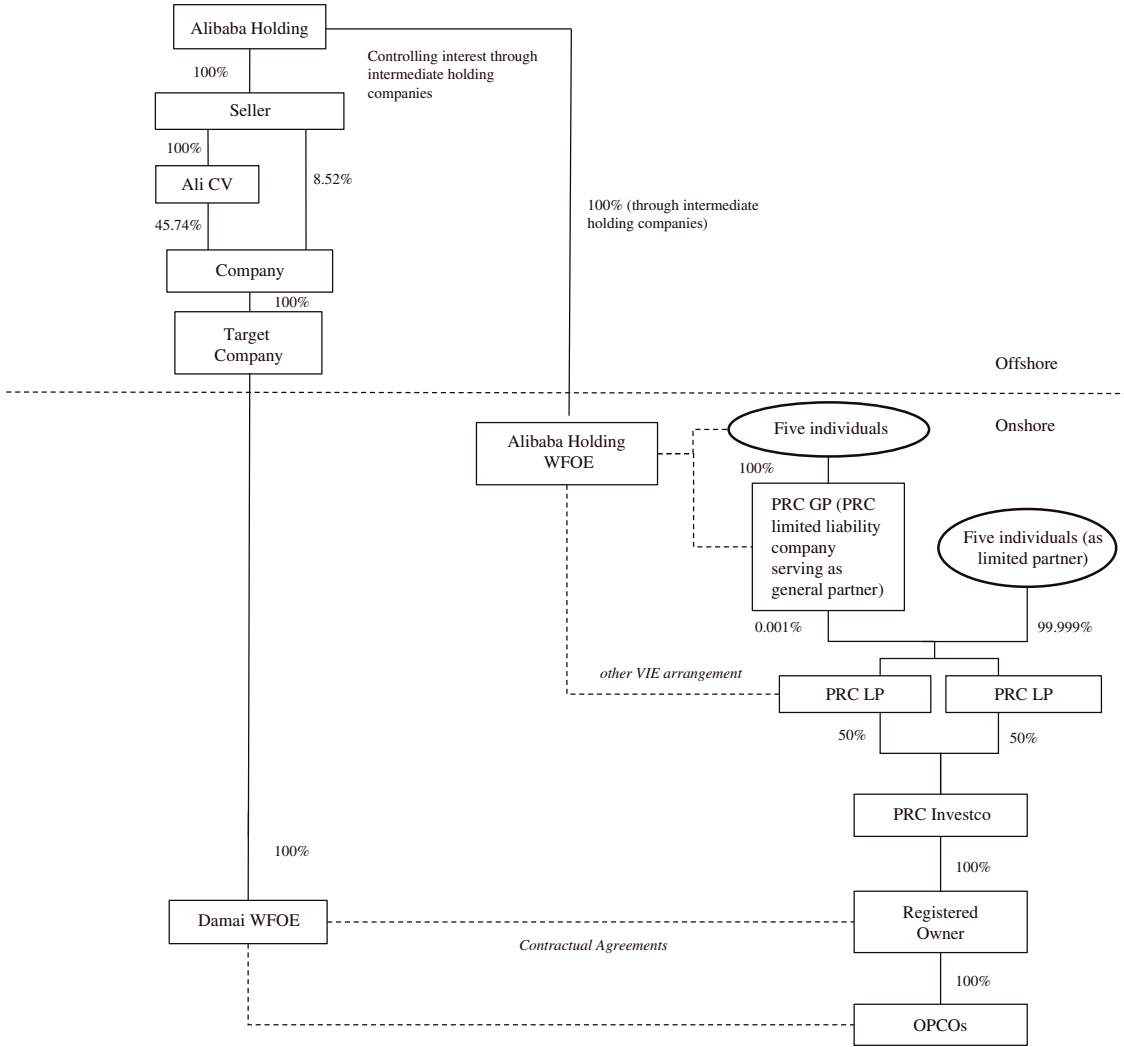
2. Shareholding Structure under the Contractual Arrangements

Set forth below is the shareholding structure of the Target Group before and after the Closing:

(1) Shareholding Structure of the Target Group as of the date of this announcement and before Closing



(2) Shareholding Structure of the Target Group after Closing



3. Reasons for Use of Contractual Arrangements

Foreign investment activities in the PRC are mainly governed by the Catalogue of Industries for Encouraging Foreign Investment 《鼓勵外商投資產業目錄》 (the “Encouraging Catalogue”) and the Special Administrative Measures (Negative List) for the Access of Foreign Investment 《外商投資准入特別管理措施(負面清單)》 (the “Negative List”) which were promulgated and amended from time to time jointly by the MOFCOM and the NDRC, the Foreign Investment Law and their respective implementation rules and subsidiary regulations. The Negative List and the Encouraging Catalogue divide industries into four categories in terms of foreign investment, namely, “encouraged”, “restricted”, “prohibited” and “permitted” (the last category of which includes all industries not listed under the “encouraged”, “restricted” and “prohibited” categories).

The principal business of the OPCOs includes (i) the production, distribution and streaming of online programme and online performance; and (ii) the provision of ticketing services through the operation of the OPCOs’ mobile apps (e.g. Damai APP) and websites (the “Restricted Businesses”). Certain of the OPCOs’ businesses are subject to foreign investment restrictions.

An ICP License is required for the provision of internet information service, a type of “value-added telecommunication service”; an Internet Cultural Business License is required for conducting commercial internet cultural activities; and a Radio and Television Program Production License is required for production and operation activities of radio and television programs. According to the Negative List, foreign investors are “restricted” from holding more than 50% equity interests in any enterprise holding an ICP License and “prohibited” from holding equity interests in any enterprise engaging in internet cultural business and radio and television programs production and operation activities.

Damai Development

Damai Development engages in the entertainment businesses which involves the production, distribution and streaming of online programme and online performance, operation of mobile apps and production and operation activities of radio and television programs. The business operation of Damai Development involves its ICP License, Internet Cultural Business License and Radio and Television Program Production License, therefore, Damai WFOE is prohibited in holding equity interests in Damai Development.

Jinmai Technology

For Jinmai Technology, while general ticketing service business does not strictly fall under the “restricted” category, the principal business of Jinmai Technology involves operation of mobile apps and a provision of internet information service, which falls within the scope of “value-added telecommunication service” under the telecommunications regulations of the PRC, and are therefore considered “restricted”, and the operation of which necessitates an ICP License being obtained. Jinmai Technology holds an ICP License. According to the applicable PRC laws and regulations, foreign investors are not allowed to hold more than 50% equity interests in any enterprise conducting such “restricted” business. Based on current and future development strategies of Jinmai Technology, the Group intends to promote the sales of tickets through the ticketing platforms of Jinmai Technology by production of short videos related to the performances. As advised by our PRC Legal Adviser, according to the applicable PRC laws and regulations, a Radio and Television Program Production License is required for the production of such short videos for promoting the sales of tickets through the ticketing platforms of Jinmai Technology and that according to the Negative List, foreign investors are “prohibited” from holding equity interests in any enterprise engaging in radio and television programs production and operation activities.

To become eligible to apply for a Radio and Television Program Production License, Jinmai Technology shall have certain staff members with radio and television program production related working experience or academic background. Jinmai Technology is in the process of preparation of the application for its Radio and Television Program Production License with the competent radio and television administration. The Target Group is currently arranging internal transfer of professional staff to Jinmai Technology within the Target Group and will initiate open recruitment process in its place of business, i.e. Qingdao City, the PRC in the event that the suitable professional staff cannot be arranged. The Directors are of the view that they do not foresee material obstacles for the application of the Radio and Television Program Production License on the basis that Jinmai Technology is able to fulfill the substantive conditions prescribed under the currently effective rules and regulations in all material respects and Jinmai Technology will complete the application prior to the commencement of relevant operation. The Company believes it is possible for Jinmai Technology to apply for a Radio and Television Program Production License in around six months.

Damai Communication

Damai Communication engages in the production of a rich array of offline entertainment performances, ranging from staged plays, musicals, comedies to dramas, in theatres. While the conducting of offline entertainment theater shows does not strictly require specific foreign restricted/prohibited license, the Group intends to strengthen the business of Damai Communication to include in-house production and performance crew. The Group believes that having in-house directors, scriptwriters and performance artists will contribute to retaining of such talents, who are scarce resources in the industry and play an important role in the production of theater performances of Damai Communication, and is to the best interest for the continual development and fulfillment of long-term strategic goals of the Group.

Damai Communication generally identifies suitable talents through collaborations with external parties and liaisons with short-term contract members who have participated in performances of Damai Communication. As for the selection criteria for performing artists, performing artists shall graduate from theatrical performance major from technical secondary school or above, or are equipped with professional title certificate or actor qualification certificate issued by the China Performing Industry Association. Currently, Damai Communication is in the course of identifying suitable talents, including directors, scriptwriters, gaffers and performing artists, for the establishment of the performing arts groups to participate in stage shows written and directed in-house. Damai Communication has recently initiated collaboration with external parties including opera houses and cultural troupe organizations to host contests and programs to identify suitable talents. Following the rendering of the play and musicals from the above contests and programs, Damai Communication will actively assess the suitability of talents with potentials to enter into long-term contracts with Damai Communication for its in-house performances. Damai Communication is also in preliminary contact with certain artists from its existing stage play to explore the possibility for them to join its performing arts groups.

Pursuant to applicable PRC laws and regulations, a company is only eligible to apply for the Commercial Performance License for cultural performance groups when it (i) is equipped with a group of qualified in-house professional performing artists, each obtains a professional graduation certificate from performing arts major in a technical secondary school or above or a professional title certificate; (ii) has fixed auditorium and equipment suitable for the performance; (iii) engages in a specific type of performing arts; and (iv) holds a business license with its business scope containing “artistic performance” or “commercial performance” and with suitable equipment. In order to support the performing artists for their live stage performance, Damai Communication is also required to recruit a group of specific crews, including the script writers, directors, instrument technicians and front of house engineers. Damai Communication expects that according to its existing business development plan, it targets to fulfill all the above criteria in two years. Damai Communication shall apply to renew its Commercial Performance License to cover cultural performance groups before such performing art groups are allowed carry out performing art activities. As advised by our PRC Legal Adviser, according to the applicable PRC laws and regulations, the holding of Commercial Performance License for cultural performance groups falls under the “prohibited” category. Foreign investors are not allowed to hold any equity interests in any enterprise conducting such “prohibited” business. The Directors are of the view that, there are no material legal impediments that would prevent the Company from applying for the Commercial Performance License for cultural performance groups. Subject to the fulfillment of prescribed conditions, the Company believes the application for the Commercial Performance License for cultural performance groups can be completed in around six months after its successful identification and engagement of suitable talents.

The Company will, as applicable and when necessary, disclose the progress of the license application of Jinmai Technology and the progress of the development plans of the Damai Communication in its annual and interim reports to inform Shareholders.

As the applicable PRC laws and regulations in force restrict foreign investment in the above business operation of the OPCOs, in line with the common practice in the industries which are subject to foreign investment restrictions, the Group intend to adopt the Contractual Arrangements with respect to the OPCOs, which have enabled the Group, through Damai WFOE, 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.

Therefore, the Company is of the view that the Contractual Arrangements have been narrowly tailored to achieve our business purpose and minimize the potential conflict with relevant PRC laws and regulations.

The Company agrees that it will make periodic inquiries with relevant PRC authorities to understand any new regulatory development and will unwind and terminate the Contractual Arrangements wholly or partially once the Restricted Businesses are no longer restricted from foreign investment to the extent permissible under PRC laws or once the Group decides to revise its future plans for Jinmai Technology and Damai Communication where their then business operation are permitted to be held by foreign investment under PRC laws.

IV. INFORMATION ON THE STRUCTURED CONTRACTS

Principal terms of each of the Structured Contracts entered into on August 28, 2023 are set out as follows:

1. Exclusive Service Agreements

Parties: (a) Damai WFOE; and
(b) the OPCOs

Each of the OPCOs and Damai WFOE entered into an Exclusive Service Agreement with the following terms:

Term: The term of the Exclusive Service Agreement is 20 years and will be automatically renewed for successive one-year term upon expiry unless otherwise notified by Damai WFOE. The relevant Exclusive Service Agreement shall be terminated in the event that (i) the business period of either Damai WFOE or the relevant OPCO expires; or (ii) upon the event that it becomes permitted under PRC laws for Damai WFOE to directly hold the equity interest in the OPCOs, and Damai WFOE or its designated entity has obtained all the equity interest in the OPCOs.

Subject: Each of the OPCOs has agreed to engage Damai WFOE as its exclusive service provider to the extent permitted under applicable PRC laws in exchange for service fees. Each of the OPCOs may appoint designated third parties to perform part of or all of its obligations under the Exclusive Service Agreement. Pursuant to each Exclusive Service Agreement, the relevant OPCO shall pay to Damai WFOE a service fee, within one months after each calendar year for the services provided in the preceding year. Each of the relevant OPCO shall from time to time pay extra service fee for additional services provided by Damai WFOE upon request of the OPCOs. Damai WFOE may adjust the amount of service fees of each of the OPCOs under the premise of not violating the laws and regulations. The OPCOs shall not oppose to such adjustment unless with reasonable grounds.

Unless otherwise prescribed under the PRC laws and regulations, Damai WFOE shall have exclusive proprietary rights to intellectual property (including but not limited to copyright, patent, technical secret and trade secret) in the work outcomes jointly developed by Damai WFOE and the OPCOs or related to the business of OPCOs that is entrusted by Damai WFOE. For intellectual property in the work outcomes developed by the OPCOs independently, the proprietary right of the intellectual property shall be solely owned by the OPCOs under the conditions that (i) the OPCOs promptly inform Damai WFOE of the details of such intellectual property rights and provide relevant information reasonably requested by Damai WFOE, (ii) Damai WFOE shall enjoy the right of first refusal when the OPCOs intend to transfer its proprietary right and (iii) Damai WFOE is entitled to acquire all the intellectual property rights of the OPCOs that are related to the Restricted Business.

2. Exclusive Option Agreements

Parties: (a) the Registered Owner;
(b) Damai WFOE; and
(c) the OPCOs

Each of the Registered Owner, Damai WFOE and the OPCOs entered into an Exclusive Option Agreement with the following terms:

Term: The Exclusive Option Agreement shall remain effective from the execution date and terminate when all the equity interests in and assets of the relevant OPCOs have been legally transferred to Damai WFOE or its designee in accordance with the terms of the Exclusive Option Agreement.

Subject: Each of the OPCOs irrevocably grant Damai WFOE an exclusive right to purchase or nominate any individuals/entities to purchase all or part of its assets at the corresponding paid-in capital contribution in each of the OPCOs registered capital. If the corresponding paid-in capital contribution is below the permissible minimum under the then applicable PRC laws, the purchase price shall be the permissible minimum under the then applicable PRC laws.

Each of the Registered Owner and the OPCOs irrevocably and unconditionally grants, to Damai WFOE or any individuals/entities designated by Damai WFOE, the exclusive conversion options and asset purchase options to purchase (at any time, in one or more times), to the extent permitted under relevant PRC Laws, all or part of the shares and/or assets in the OPCOs.

The Registered Owner shall be prohibited from selling, offering to sell, transferring, donating, pledging or otherwise disposing of all or part of their equity interests in the OPCOs, or granting others a right to purchase such equity interests, without the prior written consent from Damai WFOE.

Each of the OPCOs shall be prohibited from selling, offering to sell, transferring, donating, pledging or otherwise disposing of all or part of its assets, or granting others a right to purchase such assets, without the prior written consent from Damai WFOE.

Without the prior written consent of Damai WFOE, the Registered Owner shall not sell, transfer, mortgage or dispose of in any manner any assets of the relevant OPCOs (except in the ordinary course of business), or legal or beneficial interest in the business or revenues of the relevant OPCOs, or allow the creation of any security interest thereon.

The Registered Owner shall, and the Registered Owner has undertaken to, return any income, profit distribution, dividends and bonus they received from the OPCOs to Damai WFOE or the person(s) as designated by Damai WFOE.

3. Loan Agreements

- Parties: (a) Damai WFOE, as lender; and
- (b) the Registered Owner, as borrower

Damai WFOE and the Registered Owner entered into a Loan Agreement in relation to each of the OPCOs with the following terms:

Principal: Damai WFOE shall provide an one-off loan, at the interest rate per annum of SHIBOR, in an aggregate amount of RMB34.0 million to the Registered Owner for operation purpose as approved by Damai WFOE. The Registered Owner is forbidden to use part of or all of the loan for any other purposes.

Term: Upon the execution of the Loan Agreement, the term of each loan under the Loan Agreement is 20 years from the signing date, or for a period until expiration of the business period of Damai WFOE or the respective OPCOs, whichever is earlier. During the term of the loan, Damai WFOE may, at its absolute discretion, decide to accelerate the maturity of the loan at any time, and issue a repayment notice to the Registered Owner 10 days in advance to require the Registered Owner to repay part or all of the outstanding amount in accordance with the terms of the Loan Agreements.

The Registered Owner shall repay the loan upon expiration of the term of each loan unless otherwise agreed by both parties. In that circumstance, unless otherwise prohibited by the applicable laws and regulations, Damai WFOE or its designee is entitled to exercise the share options under the Equity Interest Pledge Agreements to acquire the entire equity interest held by the Registered Owner in the OPCOs for a consideration which is equal to the loan amount. The Registered Owner shall waive any pre-emptive rights upon transfer of equity interest in the respective OPCO to Damai WFOE. Any tax arising from the loan shall be borne by each of Damai WFOE and the Registered Owner in accordance with applicable law.

4. Powers of Attorney on Shareholders' Voting Rights

- Parties: (a) the Registered Owner;
- (b) Damai WFOE; and
- (c) the OPCOs

Each of the OPCOs, the Registered Owner, and Damai WFOE entered into a Power of Attorney on Shareholders' Voting Rights with the following terms:

Term: The Powers of Attorney on Shareholders' Voting Rights shall remain effective for 20 years, and will be automatically renewed for consecutive one-year term upon expiry unless otherwise notified by Damai WFOE. The Powers of Attorney on Shareholders' Voting Rights shall be terminated prior to expiration in the event that the business period of either Damai WFOE or the relevant OPCO expires.

Subject: The Registered Owner irrevocably appointed designee(s) (including a liquidator replacing its directors) of Damai WFOE who are PRC nationals, to act as its attorney on its behalf to exercise all rights in connection with matters concerning its rights as shareholder of the relevant OPCOs, including but not limited to:

- (a) holding and attending shareholders' meeting of the relevant OPCOs as representative(s) of the Registered Owner;
- (b) representing the Registered Owner in the exercise of voting right and veto right on all matters requiring the decisions of shareholders, including but not limited to the appointment of directors and senior management;
- (c) voting as shareholders as contemplated under the articles of association of the company; and
- (d) signing relevant equity transfer agreements, asset transfer agreements (if applicable), capital reduction agreements, capital increase agreements, shareholder decisions and other relevant documents on behalf of existing shareholders, and handling relevant government approvals, registrations and filings as required for the transfers, capital reductions, and capital increases.

5. The Equity Interest Pledge Agreements

- Parties: (a) The Registered Owner, as pledger;
- (b) Damai WFOE, as pledgee; and
- (c) the OPCOs

Each of the Registered Owner, Damai WFOE and the OPCOs entered into an Equity Interest Pledge Agreement with the following terms:

- Term: Effective upon execution of the Equity Interest Pledge Agreements and shall remain valid until all the contractual obligations between the Registered Owner, Damai WFOE and the OPCOs under the Equity Interest Pledge Agreements have been fully discharged or that all outstanding loans have been fully repaid (whichever is later).
- Subject: The Registered Owner agrees to pledge all of its shares in the OPCOs to Damai WFOE as a security interest to guarantee the performance of contractual obligations and the payment of outstanding loans of the Registered Owner.

During the period of pledge, without the prior written consent of Damai WFOE, the Registered Owner shall not create or agree to create any new pledge or other security on the equity interests of the OPCOs, nor assign or transfer any of the equity interests in the OPCOs.

Unless due to the intentional misconduct or gross negligence of Damai WFOE, Damai WFOE shall not be liable for any decrease in value of the pledged interest, and the Registered Owner shall not have any right to claim against Damai WFOE as a result of such decrease in value. However, in the event that the decrease in value of the pledged interest may jeopardise rights of Damai WFOE, or upon occurrence of default, Damai WFOE may auction or sell the pledged interest for and on behalf of the Registered Owner, and allocate the proceeds received for loan repayment or deposit such proceeds to Damai WFOE's local Notary Office.

6. Disputes Resolutions, Succession and Liquidation Under the Structured Contracts

Disputes resolutions

The Contractual Arrangements are governed by and shall be construed in accordance with the PRC laws. Any dispute arising from the Contractual Arrangements between the parties should first be resolved through negotiation. In case the dispute cannot be resolved, any party may submit the said dispute to the China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) in accordance with its arbitration rules. The arbitration location is to be in Hangzhou. The arbitration tribunal of arbitrators may award any remedies or relief measures including temporary and permanent injunctive relief (such as injunctive relief for the conduct of business or to compel the transfer of assets) in accordance with the provision of the Contractual Arrangements and the applicable PRC laws, and the specific performance of any obligations under the Contractual Arrangements, award remedies over the equity interest and the tangible/intangible assets of the OPCOs, prohibition of disposal and an order for the winding up of the OPCOs. The results of the arbitration shall be final and binding. In support of the arbitration pending formation of the arbitral tribunal or in appropriate cases, the courts in Hong Kong, Bermuda, the PRC and the location where the OPCOs' principal assets are located shall have the jurisdiction to grant interim remedies over the assets of the OPCOs.

Succession

The provisions set out in the Contractual Arrangements are also binding on the successors of the parties, as if the successors were a signing party to the Contractual Arrangements. Although the Contractual Arrangements do not specify the identity of successors, under the PRC Civil Code (《中華人民共和國民法典》), the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents, and any breach by the successors would be deemed to be a breach of the Contractual Arrangements.

Liquidation

Pursuant to the Structured Contracts, in the event of the OPCOs' or Registered Owner's (as the case may be) liquidation, dissolution, bankruptcy or termination, each of the Registered Owner or the OPCOs (as the case may be) shall transfer any assets distributed to such Registered Owner or the OPCOs (as the case may be) to its assignees, successors, heirs, liquidators, bankruptcy administrators or creditors without affecting or hindering the performance of the Contractual Arrangements.

Unwinding the structure under the Contractual Arrangements

The Company will unwind the structure created as a result of the Contractual Arrangements as soon as the PRC laws allow the Restricted Businesses to be operated without such structure, and Damai WFOE may acquire the equity interest in the OPCOs held by the Registered Owners and/or the assets of the OPCOs to the extent as permitted by the then applicable PRC laws. In the event Damai WFOE exercises the right under the Exclusive Option Agreements to acquire the equity interest in the OPCOs held by the Registered Owners and/or the assets of OPCOs to unwind the structure under the Contractual Arrangements, the Registered Owners and the OPCOs have undertaken to return to Damai WFOE or its designated entity any consideration received.

7. Loss Sharing

Under the relevant PRC laws and regulations, none of the Company and Damai 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, Damai WFOE intends 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.

8. Conflict of Interests

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 Damai 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 OPCOs, including but not limited to: (a) attending the shareholders' meeting of the relevant OPCOs as representative of the 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 Registered Owner sells or transfers 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.

V. INTERNAL CONTROL MEASURES TO BE IMPLEMENTED BY THE GROUP

The Structured Contracts contain certain provisions in order to exercise effective control over and to safeguard the assets of the OPCOs.

In addition to the internal control measures as provided in the Structured Contracts, it is the intention of the Company, following the Closing, to implement, through Damai WFOE, additional internal control measures against the OPCOs as appropriate, having regard to the internal control measures adopted by the Group from time to time, which may include but not limited to:

- (a) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;
- (b) the Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (c) the Company will disclose the overall performance of and compliance with the Contractual Arrangements in its annual reports; and
- (d) the Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of Damai WFOE and the OPCOs to deal with specific issues or matters arising from the Contractual Arrangements.

VI. COMPLIANCE OF CONTRACTUAL ARRANGEMENTS WITH PRC LAWS, RULES AND REGULATIONS

The PRC Legal Adviser is of the opinion that, as of the date of this announcement:

- (i) each of the OPCOs is duly incorporated and validly existing and their respective establishment complies with applicable PRC laws and regulations;
- (ii) the Structured Contracts would not fall within the circumstances as stipulated in the PRC Civil Code which will lead the arrangement thereunder as invalid act under the PRC Civil Code;
- (iii) each of the Structured Contracts is valid and legally binding under the PRC laws and regulations, except for the provisions to the effect that the arbitral body may award remedies over the shares and/or assets of the relevant OPCOs, injunctive relief and/or winding up of the relevant OPCOs, and that the courts in Hong Kong or Bermuda are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal may not be recognized or enforceable by the PRC courts;

- (iv) no approvals of any PRC governmental authorities, will be required in connection with the execution, delivery, effectiveness and enforceability of each of the agreements comprising the Structured Contracts except that (x) the pledge of any equity interests in the OPCOs for the benefit of Damai WFOE and any transfer of pledged equity interest under the Equity Interest Pledge Agreements are subject to registrations or filings with the relevant governmental authority; (y) the exercise of any exclusive option rights by Damai WFOE under the relevant Exclusive Option Agreements may subject to the approvals of, filings with, or registrations with the relevant governmental authorities; and (z) the arbitration awards/interim remedies provided under the dispute resolution provision of the Structured Contracts shall be recognized by the PRC courts before compulsory enforcement.

The PRC Legal Adviser also advised us that there are uncertainties regarding the interpretation and application of current and future PRC laws and regulations, and accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to or otherwise different from the above opinion.

Based on the above, the Directors believe that the Structured Contracts are unlikely to be deemed ineffective or invalid under the relevant PRC laws and regulations, subject to certain issues discussed in the paragraphs headed “VIII. RISK FACTORS IN RELATION TO THE CONTRACTUAL ARRANGEMENTS” in this announcement.

VII. THE BOARD’S VIEW ON THE CONTRACTUAL ARRANGEMENTS

By entering into the Structured Contracts, the Group, through Damai WFOE, shall enjoy the entire economic interests and benefits generated by the OPCOs, since:

- (i) service fees are payable by the OPCOs to Damai WFOE under the Exclusive Service Agreements. Damai WFOE is entitled to adjust the amount of service fees of each of the OPCOs;
- (ii) Damai WFOE shall have exclusive proprietary rights to intellectual property (including but not limited to copyright, patent, technical secret and trade secret) in the work outcomes jointly developed by Damai WFOE and the OPCOs or related to the business of OPCOs that is entrusted by Damai WFOE under the Exclusive Service Agreement;
- (iii) without the prior written consent of Damai WFOE, the Registered Owner shall not sell, transfer, mortgage or dispose of in any manner any assets of the relevant OPCOs (except in the ordinary course of business), or legal or beneficial interest in the business or revenues of the relevant OPCOs, or allow the creation of any security interest thereon; and

- (iv) pursuant to the powers of attorney, the Registered Owner has irrevocably appointed designee(s) of Damai WFOE who are PRC nationals to act as its attorney on its behalf to exercise all rights in connection with matters concerning its rights as shareholder of the relevant OPCOs, including but not limited to the exercise of voting and veto rights on all matters requiring the decisions of shareholders.

As stipulated under the paragraphs headed “III. INFORMATION OF THE CONTRACTUAL ARRANGEMENTS – 3. Reasons for Use of Contractual Arrangements” of this announcement, the Group intends to apply for a Radio and Television Program Production License with Jinmai Technology and expand the business of Damai Communication to cover performing artist-related services, which involves the development of artist groups in the field of cultural and performance arts, which is under the “prohibited” category of the Negative List. Therefore, the Contractual Arrangement is necessary for Jinmai Technology and Damai Communication to comply with the requirements of the governmental authorities of the PRC. The Board (excluding the independent non-executive Directors) is of the view that the Structured Contracts, when viewed in totality, are in compliance with the requirements set out in the Stock Exchange’s Guidance Letter HKEx-GL77-14, and being narrowly tailored to achieve the transactions contemplated under the Contractual Arrangements and to minimize the potential conflicts with and are enforceable under the relevant PRC laws. The Board confirms that appropriate arrangements have been made to protect the interests of the Group in the OPCOs in the event of the OPCO’s or the Registered Owner’s (as the case may be) liquidation, dissolution, bankruptcy or termination to avoid any practical difficulties in enforcing the Contractual Arrangements. The Contractual Arrangements and the transactions contemplated thereunder are fundamental to the Group’s legal structure and business operations, and such transactions have been or will be entered into in the Group’s ordinary and usual course of business. The terms of the Structured Contracts are fair and reasonable and on normal commercial terms or better, and the entering into of such agreements is in the interests of the Group and the Shareholders as a whole, and as such would enable Damai WFOE to gain control over the OPCOs and entitle it to the economic interests and benefits of the OPCOs.

The Board (excluding the independent non-executive Directors) further believes that save for such issues as disclosed in the paragraphs headed “VIII. RISK FACTORS IN RELATION TO THE CONTRACTUAL ARRANGEMENTS – Certain terms of the Contractual Arrangements may not be enforceable under PRC laws”, the Structured Contracts conferring significant control and economic benefits from the OPCOs to the Company are enforceable under the relevant PRC laws, and that the Contractual Arrangements will provide a mechanism that enables Damai WFOE to exercise effective control over the OPCOs based on the following reasons:

- (i) The Directors have consulted with the PRC Legal Adviser in respect of their views on the Structured Contracts as stipulated under paragraphs headed “VI. COMPLIANCE OF CONTRACTUAL ARRANGEMENTS WITH PRC LAWS, RULES AND REGULATIONS”.

- (ii) The Directors undertake that they shall consult the PRC Legal Adviser from time to time to check if there are any legal developments in the PRC affecting the Contractual Arrangements, and shall, where necessary, immediately report to the Board and provide it with appropriate advice and recommendations to enable it to timely determine if any modification or amendment needs to be made in compliance with the updated legal requirements.

As a result, the Contractual Arrangements enable the Group to

- (i) irrevocably exercise such voting rights as entitled by shareholders of the OPCOs;
- (ii) exercise effective financial and operational control over the OPCOs;
- (iii) receive substantially all such economic interest returns generated by the OPCOs through the fees charged for the services provided by the WFOE;
- (iv) obtain an irrevocable and exclusive right to purchase all or part of the equity interests in the OPCOs from the respective shareholders at the corresponding paid-in capital contribution or at the minimum consideration permitted by PRC laws; and
- (v) obtain a pledge over the entire equity interests of the OPCOs from its respective equity holders to secure performance of the OPCOs' obligations under the Contractual Arrangements.

The Board (excluding the independent non-executive Directors), based on the advice of the PRC Legal Adviser, considers that the use of Contractual Arrangements is in compliance with the relevant PRC laws and regulations currently in effect and are legally binding and enforceable. As a result of the Contractual Arrangements, the Group is able to exert effective control over the OPCOs as it has rights to exercise power over the OPCOs (as entitled by its equity holders), receive variable returns from its arrangements with the OPCOs, and has the ability to affect those returns through its power over the OPCOs upon Closing. Consequently, the Group will treat the OPCOs as controlled entities and consolidate the financial position and results of operations of these entities in the consolidated financial statements of the Group in accordance with Hong Kong Financial Reporting Standards upon Closing. The Company has discussed with the Company's auditors and the Company's auditors concurred with management's assessment and conclusion on the accounting treatment.

VIII. RISK FACTORS IN RELATION TO THE CONTRACTUAL ARRANGEMENTS

The Group believes the following risks are associated with 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

On March 15, 2019, the National People's Congress promulgated the Foreign Investment Law, and 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 Foreign Investment Law.

While the Foreign Investment Law 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.

Notwithstanding the PRC Legal Advisers 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, the PRC laws and regulations are still evolving and the interpretation and application of current and future PRC laws and regulations may change from time to time; 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 discretion to take action in dealing with such violations or failures in accordance with relevant PRC laws and regulations, 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 in accordance with relevant PRC laws and regulations.

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.

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 Foreign Investment Law, 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.

Certain terms of the Contractual Arrangements may not be enforceable under 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. As a result, in the event that the OPCOs or the Registered Owner breach(es) the terms of the Contractual Arrangements, Damai WFOE 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 will be subject to uncertainties with respect to the outcome of such disputes. 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 Group 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 Damai 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 the Group's 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 favor. 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 subject the Company to scrutiny by the PRC tax authorities and may result in a finding that the Company owes additional taxes or is ineligible for tax exemptions, or both, which could substantially increase taxes owed and thereby reduce profit attributable to equity shareholders of the Company

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. The Company could face material and adverse tax consequences if the PRC tax authorities determine that the Structured Contracts entered into with the OPCOs do not represent an arm's-length price and adjust any of those entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could increase tax liabilities of the Company. In addition, PRC tax authorities may form the view that the OPCOs have improperly minimized their tax obligations, and the Company may not be able to rectify any such incident within the limited timeline required by PRC tax authorities. As a result, the PRC tax authorities may impose late payment fees and other penalties on the Company for underpaid taxes in accordance with relevant PRC laws and regulations, which could materially and adversely affect business, financial condition and results of operations of the Company.

If any of Damai WFOE or 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 Damai WFOE exercises its option to acquire all or part of the equity interest in the OPCOs under the relevant exclusive option agreement, such acquisition may only be conducted to the extent as permitted by the applicable PRC laws and will be subject to necessary approvals or 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 Damai WFOE 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.

IX. FINANCIAL EFFECT OF THE TRANSACTION ON THE GROUP

Upon Closing, the Company will hold the entire issued share capital of the Target Company which indirectly holds the entire issued share capital of Damai WFOE and through the Structured Contracts, has effective control over the financing and operations of the OPCOs, and enjoy the economic interest and benefits of the OPCOs. Pursuant to the Structured Contracts, Damai WFOE is able to control the finance and operation of the OPCOs so as to obtain the economic interest and benefits from its business activities despite the lack of registered equity ownership. The Company has discussed with the auditors of the Company which have confirmed that under the prevailing accounting principles of the Company, the Company has the right to consolidate the financial results of the OPCOs in its consolidated accounts as if it were a subsidiary of the Target Company.

X. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company strives to implement a dual-drive strategy featuring “content + technology”. Built upon the successful collaboration with Damai through “Taomai VIP” membership system, the Acquisition will further reinforce the Company’s strategy, allowing the Company to provide customers with first-class entertainment experiences across film, concerts, music festivals and other events, and develop into the flagship offline entertainment platform of Alibaba Digital Media and Entertainment Group.

The Company believes that the acquisition of the Target Business will enable it to: (a) gain additional exposure across various forms of live entertainment, capture strong momentum post the pandemic, and thereby developing into flagship offline entertainment platform of Alibaba Digital Media and Entertainment Group; (b) solidify competitive strength by leveraging and integrating resources and know-how in offline entertainment industry; (c) further diversify revenue streams and achieve sustainable growth; (d) further expand channels for IP monetization leveraging live entertainment formats, and (e) improve operational efficiency and enhance corporate governance by reducing continuing connected transactions with Alibaba Group.

Before the Acquisition, Damai Development entered into the Operation Services Agreement, pursuant to which, Zhonglian Shengshi has agreed to exclusively provide full range of operation services to Damai Development. After Closing, the Company will terminate the Operation Services Agreement and subsequently cease the continuing connected transactions contemplated under the Operation Services Agreement.

The Directors (excluding the independent non-executive Directors) are of the view that the terms of the Share Purchase Agreement and the Structured Contracts are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

XI. TRADING PROSPECT AFTER THE ACQUISITION

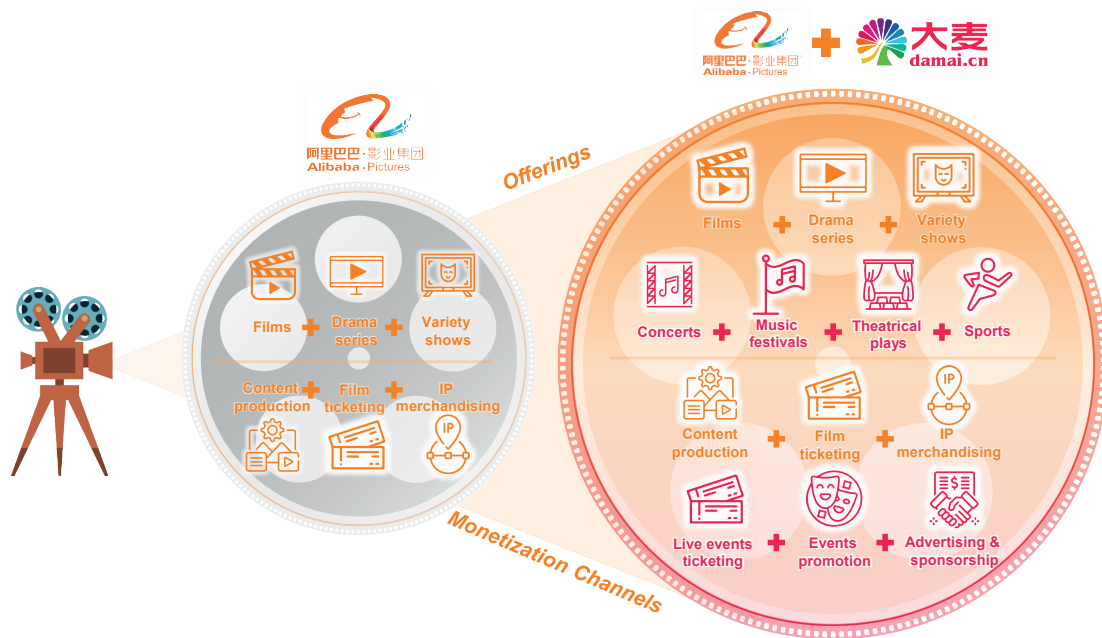
By acquiring the Target Business, the Company intends to leverage and integrate resources and industry know-how, and further expand along the live entertainment industry value chain, such as events production and promotion, artist management and event venue operations businesses. With the government started to ease pandemic restrictions and resumption of offline entertainment events, and following consolidation in ticketing services industry, the OPCOs' business has begun to recover materially. The Group after the Acquisition aims to bring along the following prospects, which will offer unique investment value.

The New Alibaba Pictures Group – The flagship offline entertainment platform of Alibaba Digital Media & Entertainment with unique value propositions

- 1** **Flagship offline entertainment platform** of Alibaba Digital Media & Entertainment with comprehensive industry coverage and resources integration
- 2** Damai is **the proven leader in live entertainment** with massive potential to expand presence along industry chain
- 3** **Leading film content and IP integration capability** – creating premium and differentiated content to improve ROI
- 4** **Active and loyal consumer base** cultivated through Taomai membership
- 5** **Omni-channel monetization of film and live entertainment** through unified commercialization platform
- 6** **Frontier technology** that empowers industry-wide **infrastructure and services**

1

The flagship offline entertainment platform of Alibaba Digital Media & Entertainment with comprehensive industry coverage and resources integration



2

Damai is the leader in live entertainment with massive potential to expand presence along industry chain

大麦 damai.cn China's leading provider of live entertainment

100mm registered users ¹	10mm Peak DAU ¹	1.8mm shows and sports events served ¹	7,700 event venues coverage ¹
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Leverage existing leadership in ticketing to expand presence along industry value chain

The New Alibaba Pictures Group is well-positioned to further deepen competitive moat by leveraging access to exclusive resources, diversifying business footprint, and expanding industry presence

Note: ¹ As of Aug 2023

3

Leading film content and IP integration capability – creating premium and differentiated content to improve ROI

Strategic focus on premium hit content

RMB **16.3bn**
total box office in fiscal year 2023

26 films produced & distributed in fiscal year 2023

12 films ranked among top 20 in box office¹

Proven track record of high ROI and cost efficiency

Lost in the Stars



Highest-grossing domestic crime film

Moon Man



Highest comedy box office in Mainland China in 2022

The Wandering Earth 2



Highest first-day box office during 2023 Chinese New Year holiday

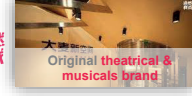
Damai acquisition will further diversify offline entertainment offerings

Mainive



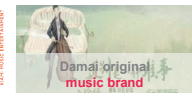
Joint-production of quality theatrical plays

当然有戏



Original theatrical & musicals brand

喜马拉雅音乐



Damai original music brand

Concert / Festival Promotion

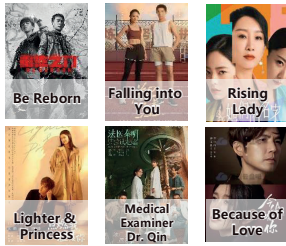


Xiami Music Festival

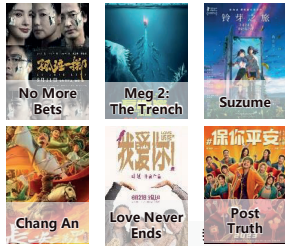


TFBOYS Concert

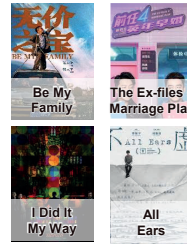
Self-produced drama series



Films and dramas released



Films and drama reserves



Note: ¹ Among domestic films released in the same period

4

Active and loyal consumer base cultivated through Taomai membership

“Buy 1 get 1 free” / Exclusive discounts / Reward points

Exclusive Offers



Member Privileges



Member-only Collections

Taomai VIP members surpassed **20 million**

~80% YoY growth¹

Cross-sell opportunities

Improve user engagement, enhance stickiness and purchase frequency

Collaborate with Youku VIP to integrate online and offline experience

Increasing brand awareness

Note: ¹ YoY increase in number of Taomai membership, as of Aug 15, 2023

5

Omni-channel monetization of film and live entertainment through unified commercialization platform



6

Frontier technology that empowers industry-wide infrastructure and services

Expanding AI Generated Content (AIGC) and Innovations

AIGC as Game-changer to Enhance Production Productivity

- Content creation
- Script generation
- Virtual character
- Scene setting
- Marketing plan
-

~3x increase in digital assets production efficiency

Innovative Virtualization

MLB World Series

Beyond Expo

Samsung Metaverse Concert

Wide Application of Data Analytics and Management

Exploring Business Potential of Artists

Artists potential + Data analytics > Tips for improvement

Content Production Efficiency Management

Digital product covering the entire production process and scenarios (Cloud Production)

- Shooting management
- Production crew management
- Finance management
- Live event management

300+ Pan-entertainment projects¹ 30% Efficiency²

Tech-empowered Cinema and Venue Operations

Cinema Empowerment and Upgrade

凤凰云智 (Yunzhi)

Cloud-based solution for intelligent cinema operations

Leading cinema coverage (4,500+)³ ~35% market share³

Safeguard Events Operations

Damai continuously develops the latest ticketing technology and smart hardware to enhance user experience while ensuring events safety

Peak visits **2 million** queries per second⁴ Peak DAU **10 million⁴**

麦座 maizuo (Damai Maizuo)

Digital platform for one-stop venue facility management

Note: ¹ Fiscal year 2023; ² Efficiency increase is measured based on the feedback from the production crew on the comparison of time consumption before and after using the Cloud Production; ³ As of May 2023; ⁴ Between Apr 2023 to Aug 2023

Future development strategies

- 1** Further expand presence across industry chain (such as venue operation, artist management and events production) – by securing content supply to build business differentiation, scale advantage and competitive barriers
- 2** Attract sponsors base, expand monetization and revenue by establishing brand awareness as Alibaba Digital Media & Entertainment's flagship offline entertainment platform
- 3** Create powerful portal for offline entertainment events by leveraging Alibaba's Digital Media & Entertainment platform
- 4** Actively seek acquisitions, investments and collaboration opportunities domestically and abroad
- 5** Explore overseas expansion opportunities by leveraging Damai's leading execution capabilities, experiences and technological expertise

XII. LISTING RULES IMPLICATIONS

Acquisition

As of the date of this announcement, Alibaba Holding is the ultimate shareholder of Ali CV, which is a controlling shareholder and a connected person of the Company holding approximately 50.0007% of the issued share capital of the Company (i.e. 13,488,058,846 Shares), and the Target Company is directly held by the Seller and is indirectly held by Alibaba Holding as to more than 30% of its equity interest. Therefore, the Seller is an associate of Ali CV and thus a connected person of the Company. As such, the Acquisition and the transactions contemplated under the Share Purchase Agreement should constitute a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition and the transactions contemplated under the Share Purchase Agreement exceed 5% but all of them are less than 25%, the Acquisition constitutes a discloseable and connected transaction for the Company under Chapter 14 and Chapter 14A of the Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirement under the Listing Rules.

Contractual Arrangement

Alibaba Holding obtains effective control over, and receives all the economic benefits of the Registered Owner, the Registered Owner is consolidated into the financial statements of Alibaba Holding under other VIE arrangement for accounting treatment purposes. As such, the Registered Owner, 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. 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.

However, the Directors (excluding 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 a fixed term under Rule 14A.52 of the Listing Rules on the following grounds:

- (a) 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;
- (b) the Contractual Arrangements are entered into for the benefit of the Group. 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;
- (c) the Directors (excluding independent non-executive Directors) consider that the Contractual Arrangements are on normal commercial terms or on terms more favorable 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;

- (d) the Structured Contracts will be approved by the Independent Shareholders at the general meeting of the Company. In particular, in the circular to be dispatched to the Independent Shareholders, the Independent Financial Adviser would have advised the Independent Shareholders on, among other things, the terms of the Structured Contracts, including but not limited to the absence of annual cap and fixed term of the Structured Contracts. As such, the Independent Shareholders has been given an opportunity to consider and vote on the Structured Contracts after having benefit of the recommendation of the Independent Financial Adviser on the Structured Contracts; and
- (e) taking into account (i) the transactions are fundamental to the Group's legal structure in holding the OPCOs and the management of the Restricted Businesses of the OPCOs in the PRC, (ii) the transactions contemplated under the Structured Contracts are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and (iii) the Independent Shareholders has been given a chance to vote on the Structured Contracts having received recommendation from the Independent Financial Adviser, there is no presumption of undue influence that justifies an additional layer of check and balance prescribed by the Listing Rules. It is impractical and unduly burdensome and adds to the additional cost and administrative burden on the Company to require the Company to adopt an annual cap or set a definite term to the Structured Contracts which may be otherwise detrimental to the commercial interest of the Company.

Application for Waivers from Strict Compliance with Chapter 14A of the Listing Rules

The Company will apply for a waiver from strict compliance with (i) the requirement of setting an annual cap for the transactions under the Structured Contracts under Rule 14A.53 of the Listing Rules, and (ii) the requirement of fixing a definite term of the Structured Contracts under Rule 14A.52 of the Listing Rules, for so long as the shares of the Company are listed on the Stock Exchange.

XIII. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Acquisition, the Share Purchase Agreement, the Contractual Arrangements and the transactions contemplated thereunder. Altus Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

XIV. SGM

An SGM will be convened and held for the Independent Shareholders to consider and, and if thought fit, to approve the Acquisition (including the entering into of the Share Purchase Agreement and the issue and allotment of Consideration Shares under the Specific Mandate) and the Contractual Arrangements.

A circular containing, among other things, (i) further information in relation to the Acquisition, the Share Purchase Agreement and the Contractual Arrangements; (ii) the recommendation from the Independent Board Committee and the recommendation from Altus Capital to the Independent Board Committee and the Independent Shareholders; (iii) the general information of the Group; and (iv) a notice of the SGM, is expected to be dispatched to the Shareholders on or before October 9, 2023.

As of the date of this announcement, Ali CV and its associates were interested in an aggregate of 13,488,058,846 Shares, representing approximately 50.0007% of the total issued share capital of the Company. Ali CV and its associates will be required to abstain from voting for the relevant resolutions approving the Acquisition, the Share Purchase Agreement and the Contractual Arrangements and the transactions contemplated thereunder at the SGM.

Pursuant to Rule 17.05A of the Listing Rules, the Trustee holding unvested shares of a share scheme, whether directly or indirectly, shall abstain from voting on matters that require Shareholders' approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given. The Trustee will be required to abstain from voting for the relevant resolutions approving the Acquisition, the Share Purchase Agreement and the Contractual Arrangements at the SGM.

Given that Mr. Fan Luyuan and Mr. Meng Jun and Mr. Tung Pen Hung (each a Director) also serve positions in Alibaba Holding or its subsidiaries, and Mr. Li Jie is currently taking up a management role in a subsidiary of Alibaba Holding, an associate of Ali CV, they have voluntarily abstained from voting on the relevant resolutions approving the Acquisition, the Share Purchase Agreement and the Contractual Arrangements and the transactions contemplated thereunder at the SGM for good corporate governance. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, there are no other Directors who has any material interest in the above transactions.

Pursuant to the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the proposed resolutions will be put to vote by way of poll at the SGM. An announcement on the poll vote results will be made by the Company after the SGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

As Closing is subject to the fulfilment of several conditions which are detailed in the paragraph headed “Conditions Precedent” in this announcement, and the consummation of the said agreements are subject to the passing of the relevant resolution at the SGM, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the shares of the Company.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Acquisition”	the sale and purchase of the Sale Shares of the Target Company as contemplated under the Share Purchase Agreement
“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 codes: 9988 (HKD counter) and 89988 (RMB counter)) and the ultimate controlling shareholder of the Company
“Alibaba Holding WFOE”	a wholly-owned subsidiary of Alibaba Holding
“Alibaba Group”	Alibaba Holding and its subsidiaries
“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
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Business Day(s)”	any weekday that the banks in the United States, the PRC, Hong Kong, Cayman Islands, British Virgin Islands and Bermuda are generally open for business
“Closing”	the consummation of the sale and purchase of the Sale Shares and the issue and allotment of the Consideration Shares pursuant to the Share Purchase Agreement

“Company” or “Purchaser”	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)
“Consideration”	the total consideration for the Acquisition, which will be satisfied by the issue of the Consideration Shares by the Company to the Seller
“Consideration Shares”	2,513,028,847 Shares in aggregate to be issued to the Seller as the Consideration pursuant to the Share Purchase Agreement
“connected person(s)”	has the meaning ascribed 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 Damai WFOE, each of the OPCOs and the Registered Owner on August 28, 2023
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“CSRC”	the China Securities Regulatory Commission of the PRC
“Damai Brand”	the provider of live performance under the brand of the Target Company
“Damai Communication”	北京大麥文化傳播有限公司 (Beijing Damai Cultural Communication Co., Ltd.*), a company established under the laws of the PRC with limited liability and a consolidated entity of Alibaba Holding
“Damai Development”	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 Alibaba Holding
“Damai WFOE”	北京紅馬科技有限公司 (Beijing Pony Technology Co., Ltd.*), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of Alibaba Holding

“Director(s)”	director(s) of the Company
“EBITA”	Earnings before interest, taxes and amortization
“Group”	the Company and its subsidiaries
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“ICP License”	a value-added telecommunications service operating license for internet information services of the PRC (互聯網信息服務的《中華人民共和國增值電信業務經營許可證》)
“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, to advise the Independent Shareholders on the Acquisition, the Share Purchase Agreement, the Contractual Arrangements and the transactions contemplated thereunder
“Independent Financial Adviser” or “Altus Capital”	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, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, the Share Purchase Agreement and the Contractual Arrangements
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the relevant resolution at the SGM
“Issue Price”	the issue price of HK\$0.52 per Consideration Share
“Jinmai Technology”	青島金麥網絡科技有限公司(Qingdao Jinmai Network Technology Co., Ltd.*), a company established under the laws of the PRC with limited liability and a consolidated entity of Alibaba Holding

“Last Trading Day”	September 18, 2023, being the last full trading day for the Shares before the date of the announcement published by the Company announcing the entering into of the Share Purchase Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“OPCOs”	Damai Development, Jinmai Technology and Damai Communication
“Operation Services Agreement”	the operation services agreement dated February 8, 2022 entered into between Damai Development and Zhonglian Shengshi, a wholly-owned subsidiary the Company, for the provision of full range of operation services to Damai Development by Zhonglian Shengshi
“Parties”	the Purchaser and the Seller
“PRC” or “China”	the People’s Republic of China
“PRC GP”	a company established under the laws of the PRC with limited liability serving as a general partner of the PRC LPs
“PRC Investco”	a company established under the laws of the PRC with limited liability, which is a consolidated entity of Alibaba Holding
“PRC Legal Adviser”	the PRC legal counsel to the Company in relation to the Contractual Arrangements
“PRC LPs”	two limited partnerships established under the laws of the PRC, which are ultimately owned by five individuals who are members of the Alibaba Partnership or Alibaba Holding’s management
“Registered Owner”	a company established in the PRC with limited liability and a consolidated entity of Alibaba Holding, which is primarily engaged in investment holding and as the registered owner of the OPCOs. As of the date of this announcement, it is wholly-owned by the PRC Investco
“RMB”	Renminbi, the lawful currency of the PRC

“Sale Shares”	53,345,618 ordinary shares of par value US\$0.001 per share of the Target Company, which represent 100% of the entire issued share capital of the Target Company
“Seller” or “Alibaba Investment”	Alibaba Investment Limited, a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of Alibaba Holding
“SGM”	the special general meeting of the Company to be convened for the Independent Shareholders to consider, and if thought fit, approve, among other things, the Acquisition, the Share Purchase Agreement and the Contractual Arrangements
“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)
“Share Purchase Agreement”	the share purchase agreement dated September 19, 2023 entered into among the Purchaser and the Seller in respect of the Acquisition
“SHIBOR”	the Shanghai Interbank Offered Rate, a daily reference rate published by the National Interbank Funding Center
“Specific Mandate”	the specific mandate for the issue and allotment of the Consideration Shares, which is subject to the approval by the Independent Shareholders voting by way of poll at the SGM
“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 entered into by and among each of the OPCOs, Damai WFOE and the Registered Owner
“Target Business”	the scope of business of the Target Group
“Target Company”	Pony Media Holdings Inc., an international business company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Seller

“Target Group”	the Target Company and its subsidiaries, including the OPCOs which are controlled by the Target Company through the Contractual Arrangements
“Trustee”	the trustee or trustees for the time being of the trust constituted by the trust deed dated December 30, 2016 entered into between the Company as a settler and the Trustee
“U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“USD”	United States dollars, the lawful currency of the U.S.
“U.S. GAAP”	accounting principles generally accepted in the U.S.
“VIE(s)”	variable interest entity(ies)
“VWAP”	in respect of the Shares, volume-weighted average price, being the ratio of the value traded to total volume traded over a trading day as quoted on the Stock Exchange
“Zhonglian Shengshi”	中聯盛世文化(北京)有限公司 (Zhonglian Shengshi Culture (Beijing) Co., Ltd.*), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent

By order of the Board
Alibaba Pictures Group Limited
Fan Luyuan
Chairman & Chief Executive Officer

Hong Kong, September 19, 2023

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

* *for identification purposes only*