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

(Incorporated in Bermuda with limited liability)

(Stock Code: 1060)

CONTINUING CONNECTED TRANSACTIONS – RENEWED SHARED SERVICES AGREEMENT

THE RENEWED SHARED SERVICES AGREEMENT

The Board announces that on December 31, 2018, the Company and AGH entered into the Renewed Shared Services Agreement for a term commencing from December 31, 2018 and ending on March 31, 2021. Pursuant to the Renewed Shared Services Agreement, AGH agrees to procure the service providers (being AGH and its Affiliates as set out in the Original Shared Services Agreement or otherwise designated by AGH) to provide certain Existing Services, Additional Services and Staff Support to the Company and its Affiliates to continue to support the operation of the Relevant Business of the Group, subject to the relevant annual caps.

LISTING RULES IMPLICATIONS

AGH is the ultimate sole shareholder of Ali CV, which is a substantial shareholder and a connected person of the Company holding approximately 49% of the issued share capital of the Company as at the date of this announcement. Accordingly, AGH is an associate of Ali CV and hence a connected person of the Company. The entering into of the Renewed Shared Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the highest annual cap on the service fees payable by the Group to AGH and its Affiliates under the Renewed Shared Services Agreement are more than 0.1% but less than 5%, the entering into of the Renewed Shared Services Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

On January 15, 2018, Shouquanbao, a consolidated subsidiary of the Company, entered into the Alifish Technology Services Agreement with Tmall Technology, an indirect wholly-owned subsidiary of AGH, for the provision of necessary technology services (including but not limited to data analysis and statistics, data reporting and system maintenance) by Tmall Technology to Shouquanbao to support the operation of the Alifish Platform. On July 16, 2018, the Company and AGH entered into the Renewed Technology Services Agreement for the provision of technology services by AGH and its Affiliates to the Group to support the operation of the Relevant Business.

Since the Renewed Shared Services Agreement, the Alifish Technology Services Agreement and the Renewed Technology Services Agreement are of a similar nature and have been entered into by the Group with AGH or its wholly-owned subsidiary within a 12-month period, the transactions contemplated under the Renewed Shared Services Agreement, the Alifish Technology Services Agreement and the Renewed Technology Services Agreement shall be aggregated as if they were one transaction pursuant to Rule 14A.81 of the Listing Rules. All the applicable percentage ratios in respect of the highest total annual cap or the expected maximum annual service fee (in any 12-month period) under the Renewed Shared Services Agreement, the Alifish Technology Services Agreement and the Renewed Technology Services Agreement, when aggregated, are more than 0.1% but below 5%.

INTRODUCTION

Reference is made to (i) the announcement of the Company dated November 4, 2015 and the circular of the Company dated December 9, 2015 in relation to, among other things, the continuing connected transactions under the Original Shared Services Agreement entered into between the Company and AGH on November 4, 2015 and expired on December 30, 2018; and (ii) the announcement of the Company dated December 31, 2015 in relation to, among other things, the continuing connected transactions under the Transitional Arrangement Agreement entered into between the Company and AGH on December 31, 2015 and also expired on December 30, 2018.

On December 31, 2018, the Company and AGH entered into the Renewed Shared Services Agreement for a term commencing from December 31, 2018 and ending on March 31, 2021. Pursuant to the Renewed Shared Services Agreement, AGH agrees to procure the service providers (being AGH and its Affiliates as set out in the Original Shared Services Agreement or otherwise designated by AGH) to provide certain Existing

Services, Additional Services and Staff Support to the Company and its Affiliates to continue to support the operation of the Relevant Business of the Group, subject to the relevant annual caps.

THE RENEWED SHARED SERVICES AGREEMENT

Date: December 31, 2018

Parties: (1) The Company, as service user

(2) AGH, as service provider

Term: the period commencing from December 31, 2018 and ending on March 31, 2021

Subject matter

To continue to support the Relevant Business of the Group, AGH agrees to procure the service providers (being AGH and its Affiliates as set out in the Original Shared Services Agreement or otherwise designated by AGH) to provide certain Existing Services (i.e. service items (1) to (7) listed below, which were covered under the Original Shared Services Agreement), Additional Services (i.e. service items (8) and (9) listed below) and Staff Support (i.e. service item (10) listed below, which was covered under the Transitional Arrangement Agreement) to the Company and its Affiliates as follows:

- (1) office space and support services;
- (2) customer services support;
- (3) business intelligence services;
- (4) maintenance service for the database of the Group;
- (5) office system and support services;
- (6) procurement function support services;
- (7) SMS platform services;
- (8) Cloud Services;
- (9) software development and technological services; and
- (10) staff support.

For the avoidance of doubt, save as amended and supplemented by the Renewed Shared Services Agreement, all other provisions of the Original Shared Services Agreement shall remain the same and effective.

Service fees

The payment terms of the service fees are determined after arm's length negotiation between the parties with reference to specific conditions and market practice of each service type. The service fees shall be charged on a quarterly basis and settled within ten (10) Business Days upon receipt of the invoice(s). The parties may subsequently adopt any other payment terms by mutual agreement, but in any event, such other payment terms shall not be less favourable than those available to any third party independent of AGH and its Affiliates.

The service fees for service items (1) to (6) and (9) listed above payable by the Group would be calculated on the basis of the actual costs and expenses of AGH or its Affiliates for providing the respective services by adding a mark-up percentage. However, once the service provider commences to provide services of the same or similar nature as that of service item (9) listed above to its independent third parties, the service fees for service item (9) payable by the Group would be calculated based on the rate of service fees available to those independent third parties for comparable services, subject to adjustment upon mutual agreement but in any event, the service fees for the service item (9) listed above payable by the Group to the service provider would not be higher than the fees payable by any independent third party to the service provider for comparable services. The service fees for service item (10) listed above would be calculated on the basis of the actual salaries and/or benefits of the relevant supporting staff by adding a mark-up percentage.

The mark-up percentage would be based on recommendations of professional third party consultant to be appointed by AGH or its Affiliates (being one of the accountant firms with appropriate qualifications, which will take into consideration various factors including the applicable tax laws and regulations and the statistics from comparable companies when making such recommendations) in accordance with the principle of arm's length transaction and subject to adjustment annually.

The service fees for service item (7) listed above would be calculated on the basis of the fair market price per SMS message multiplied by the actual number of SMS messages sent. The service fees for service item (8) listed above would be calculated on the basis of the fair market price of each specific type of Cloud Services.

The “**fair market price**” refers to the fair market price charged by AGH or its Affiliates to any independent third party for comparable services, provided that the service fees for the service items (7) and (8) listed above would not be higher than the service fees payable by the Group to any independent third party for comparable services. The Group will from time to time review the service fees for the service items (7) and (8) listed above by comparing them against market prices for comparable services chargeable by other service providers which are independent third parties to the Group.

Annual caps

The annual caps in respect of the service fees payable by the Group (inclusive of any applicable tax) for the period from December 31, 2018 to March 31, 2019 and each of the two financial years ending March 31, 2020 and 2021 under the Renewed Shared Services Agreement are RMB14 million, RMB59 million and RMB65 million, respectively.

The annual caps on the service fees payable by the Group under the Renewed Shared Services Agreement are calculated with reference to the following factors:

- (1) total historical transaction amounts payable by the Group under the Original Shared Services Agreement and the Transitional Arrangement Agreement to AGH or its Affiliates in respect of the same services to be provided under the Renewed Shared Services Agreement for each of the two 12-month periods ended December 30, 2016 and 2017 and the 11-month period ended November 30, 2018 of approximately RMB21,750,000, RMB33,739,000 and RMB34,222,000, respectively; and
- (2) estimated total transaction amounts payable by the Group under the Renewed Shared Services Agreement to AGH or its Affiliates for the period from December 31, 2018 to March 31, 2019 and each of the two financial years ending March 31, 2020 and 2021 with reference to estimates on usage pattern, volume, demand of the Relevant Business for the relevant services, the current salaries and benefits that the relevant supporting staff are entitled to, and a certain buffer for potential increment in service fees chargeable by the service providers.

REASONS FOR AND BENEFITS OF ENTERING INTO THE RENEWED SHARED SERVICES AGREEMENT

The entry into of the Renewed Shared Services Agreement will enable the Group to continue, with enhancements, to operate the Relevant Business. Alibaba Group has been providing to the Company and its Affiliates the relevant services and supporting staff for the Relevant Business contemplated under the Original Shared Services Agreement and the Transitional Arrangement Agreement. Alibaba Group is familiar with the Relevant Business' requirements and is able to provide reliable and timely services for the Relevant Business. In addition, the entry into of the Renewed Shared Services Agreement will allow the Company to continue to leverage on the mature infrastructure and coverage already built by Alibaba Group and promote better cooperation between Alibaba Group and the Group.

The terms of the Renewed Shared Services Agreement are a result of arm's length negotiations between the Company and AGH, and are no more favourable to AGH, nor are they any less favourable to the Group, than those available from independent third parties.

Having reviewed the terms of the Renewed Shared Services Agreement, the Directors (including the independent non-executive Directors) are of the view that the terms of the Renewed Shared Services Agreement and the relevant annual caps are fair and reasonable, the transactions contemplated thereunder are on normal commercial terms and that the entering into of the Renewed Shared Services Agreement is in the ordinary and usual course of business of the Group and in the interest of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

AGH is the ultimate sole shareholder of Ali CV, which is a substantial shareholder and a connected person of the Company holding approximately 49% of the issued share capital of the Company as at the date of this announcement. Accordingly, AGH is an associate of Ali CV and hence a connected person of the Company. The entering into of the Renewed Shared Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the highest annual cap on the service fees payable by the Group to AGH and its Affiliates under the Renewed Shared Services Agreement are more than 0.1% but less than 5%, the entering into of the Renewed Shared Services Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

On January 15, 2018, Shouquanbao, a consolidated subsidiary of the Company, entered into the Alifish Technology Services Agreement with Tmall Technology, an indirect wholly-owned subsidiary of AGH, for the provision of necessary technology services (including but not limited to data analysis and statistics, data reporting and system maintenance) by Tmall Technology to Shouquanbao to support the operation of the Alifish Platform. On July 16, 2018, the Company and AGH entered into the Renewed Technology Services Agreement for the provision of technology services by AGH and its Affiliates to the Group to support the operation of the Relevant Business.

Since the Renewed Shared Services Agreement, the Alifish Technology Services Agreement and the Renewed Technology Services Agreement are of a similar nature and have been entered into by the Group with AGH or its wholly-owned subsidiary within a 12-month period, the transactions contemplated under the Renewed Shared Services Agreement, the Alifish Technology Services Agreement and the Renewed Technology Services Agreement shall be aggregated as if they were one transaction pursuant to Rule 14A.81 of the Listing Rules. All the applicable percentage ratios in respect of the highest total annual cap or the expected maximum annual service fee (in any 12-month period) under the Renewed Shared Services Agreement, the Alifish Technology Services Agreement and the Renewed Technology Services Agreement, when aggregated, are more than 0.1% but below 5%.

As Mr. Fan Luyuan, Mr. Yu Yongfu and Mr. Shao Xiaofeng are members of the Alibaba Partnership and Mr. Fan Luyuan and Mr. Shao Xiaofeng are employees of AGH or its subsidiaries, each of them is deemed or may be perceived to have a material interest in the Renewed Shared Services Agreement and the transactions contemplated thereunder. As such, Mr. Fan Luyuan, Mr. Yu Yongfu and Mr. Shao Xiaofeng have abstained from voting on the relevant resolution(s) of the Board. Save as aforesaid, none of the other Directors has a material interest in the Renewed Shared Services Agreement and the transactions contemplated thereunder which requires any of them to abstain from voting on the Board resolution(s) in relation to the Renewed Shared Services Agreement and the transactions contemplated thereunder.

INFORMATION ON THE COMPANY

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

INFORMATION ON AGH AND ALIBABA GROUP

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

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

DEFINITIONS

In this announcement, save as the context otherwise requires, the defined terms shall have the following meanings:

“Additional Services”	service items (8) and (9) as listed under the section headed “THE RENEWED SHARED SERVICES AGREEMENT – Subject matter” in this announcement
“Affiliate”	with respect to any person that is not an individual, any other person that directly or indirectly through one or more intermediaries, Controls, or is Controlled by, or is under common Control with, such person; for the avoidance of doubt, it shall include any subsidiaries of any person that is not an individual; for the purpose of the Renewed Shared Services Agreement, AGH together with its Affiliates and the Group shall not be deemed to be an Affiliate of each other
“AGH”	Alibaba Group Holding Limited, a company incorporated in the Cayman Islands and the American depositary shares of which are listed on the New York Stock Exchange
“Alibaba Group”	AGH and its subsidiaries
“Alifish Platform”	Alifish, an IP trading platform of Alibaba Group, the three-year exclusive operating rights of which has been granted by Alibaba Group to Shouquanbao in accordance with the business licensing agreement entered into between Tmall Technology and Shouquanbao on January 15, 2018
“Alifish Technology Services Agreement”	the technology services agreement entered into between Tmall Technology and Shouquanbao on January 15, 2018 for a three-year term commencing from January 15, 2018 to January 14, 2021, details of which are contained in the announcement of the Company dated July 16, 2018
“Board”	the board of Directors

“Business Day”	any day (other than a Saturday or Sunday or public holiday) on which banks in Hong Kong and the PRC are open for the transaction of normal business
“Cloud Services”	services relating to, among others, elastic compute service, relational database service, open storage service, object storage service, server load balance, open cache service, open table service, open data processing service and content delivery network
“Company”	Alibaba Pictures Group Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange with stock code 1060, which also has a secondary listing on the Singapore Exchange Securities Trading Limited (stock code: S91)
“connected person(s)”	has the meaning ascribed to this term under Chapter 14A of the Listing Rules
“Control”	the power or authority, whether exercised or not, to direct the business, management and policies of a person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, which power or authority shall conclusively be presumed to exist upon possession of beneficial ownership or power to direct the vote of more than fifty percent (50%) of the votes entitled to be cast at a meeting of the members or shareholders of such person or power to control the composition of a majority of the board of directors (or similar governing body) of such person; the term “Controlled” has the meaning correlative to the foregoing
“Directors”	the directors of the Company
“Existing Services”	service items (1) to (7) as listed under the section headed “THE RENEWED SHARED SERVICES AGREEMENT – Subject matter” in this announcement, which were covered under the Original Shared Services Agreement

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Original Shared Services Agreement”	the shared services agreement entered into between the Company and AGH on November 4, 2015 in relation to the provision of Existing Services by AGH and/or its Affiliates to the Company and/or its Affiliates
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region and Taiwan
“Relevant Business”	the Group’s online movie ticketing business (now known as Tao Piao Piao) and Yulebao
“Renewed Shared Services Agreement”	the renewed shared services agreement entered into between the Company and AGH on December 31, 2018, to extend and amend the terms of the Original Shared Services Agreement
“Renewed Technology Services Agreement”	the renewed technology services agreement entered into between AGH and the Company on July 16, 2018 for a term commencing from December 31, 2017 and ending on March 31, 2020, details of which are contained in the announcement of the Company dated July 16, 2018
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.25 each in the share capital of the Company
“Shouquanbao”	阿里巴巴授權寶(天津)文化傳播有限公司 (Alibaba Shouquanbao (Tianjin) Culture Communication Co., Ltd.*), a company established in the PRC with limited liability and a consolidated subsidiary of the Company

“Staff Support”	service item (10) as listed under the section headed “THE RENEWED SHARED SERVICES AGREEMENT – Subject matter” in this announcement, which was covered under the Transitional Arrangement Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tao Piao Piao”	an online ticketing platform in the PRC operated by the Group
“Tmall Technology”	浙江天貓技術有限公司 (Zhejiang Tmall Technology Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of AGH
“Transitional Arrangement Agreement”	the transitional arrangement agreement entered into between the Company and AGH on December 31, 2015 in relation to the reimbursement to AGH by the Company of salaries and/or benefits (including without limitation social security payments) paid to all or some of the certain employees of AGH or its Affiliates whose primary responsibilities are to support the Relevant Business
“Yulebao”	a sales platform for consumer finance products that the Company introduced in collaboration with renowned trustees, through which users can purchase consumption rights of and share the revenue generated from a series of TV & film projects
“%”	per cent.

* For identification purpose only

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

Hong Kong, December 31, 2018

As at the date of this announcement, the Board comprises Mr. Fan Luyuan, Mr. Yu Yongfu and Ms. Zhang Wei, being the executive Directors; Mr. Li Lian Jie and Mr. Shao Xiaofeng, being the non-executive Directors; and Ms. Song Lixin, Mr. Tong Xiaomeng and Mr. Johnny Chen, being the independent non-executive Directors.