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阿里巴巴·影业集团™
Alibaba · Pictures
Alibaba Pictures Group Limited
阿里巴巴影業集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 1060)

CONTINUING CONNECTED TRANSACTIONS - COMMERCIAL DEVELOPMENT SERVICES AGREEMENT

COMMERCIAL DEVELOPMENT SERVICES AGREEMENT

The Board announces that Shanghai TPP, a consolidated subsidiary of the Company, entered into the Commercial Development Services Agreement with Youku Information, a consolidated entity of AGH, on April 12, 2019 for a term commencing from April 1, 2019 and ending on March 31, 2022. Pursuant to the Commercial Development Services Agreement, Shanghai TPP agrees to provide, and Youku Information agrees to use, the Services, subject to the annual caps of the Service Fees.

LISTING RULES IMPLICATIONS

Youku Information is a consolidated entity of AGH. AGH is the ultimate sole shareholder of Ali CV which is a substantial shareholder and a connected person of the Company holding approximately 50.65% of the issued share capital of the Company as at the date of this announcement. Accordingly, Youku Information is an associate of Ali CV and hence a connected person of the Company. The entering into of the Commercial Development Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the highest annual cap of the Service Fees under the Commercial Development Services Agreement are more than 0.1% but less than 5%, the entering into of the Commercial Development 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.

INTRODUCTION

The Board announces that Shanghai TPP, a consolidated subsidiary of the Company, entered into the Commercial Development Services Agreement with Youku Information, a consolidated entity of AGH, on April 12, 2019 for a term commencing from April 1, 2019 and ending on March 31, 2022. Pursuant to the Commercial Development Services Agreement, Shanghai TPP agrees to provide, and Youku Information agrees to use, the Services, subject to the annual caps of the Service Fees.

PRINCIPAL TERMS OF COMMERCIAL DEVELOPMENT SERVICES AGREEMENT

Date: April 12, 2019

Parties: (1) Shanghai TPP, a consolidated subsidiary of the Company

(2) Youku Information, a consolidated entity of AGH

Term: three years commencing from April 1, 2019 and ending on March 31, 2022

Subject matter

Pursuant to the Commercial Development Services Agreement, Shanghai TPP agrees to provide, and Youku Information agrees to use, the services in relation to the commercial development of the Original Programmes (the "Services") during the term of the Commercial Development Services Agreement. Youku Information will use the Services to serve its Working Parties. In return, Youku Information pays to Shanghai TPP fees for the Services (the "Service Fees").

Details of the Services to be provided in different stages are set out below:

(1) Business opportunities exploration stage

(a) Shanghai TPP will design, develop and prepare a gallery of pictures and materials (including but not limited to characters, icons, logos, classical texts of advertisements and publicity materials, colour standards and product demos) based on the styles of the Original Programmes and the business development needs of the target Working Parties;

(b) To cater for Youku Information's needs to use e-commerce resources (such as advertising resources)， Shanghai TPP will categorize and formulate plans in e-commerce resources, and provide resource packs for the Working Parties to use when required;

(c) Shanghai TPP will provide plans for categorizing IP-derivative commodities of the Original Programmes and fix their standard prices and selling prices; and

(d) Shanghai TPP will assist Youku Information and its Working Parties in formulating marketing proposals.

(2) Negotiation stage

Shanghai TPP will assist Youku Information and its Working Parties in exploring business opportunities and conducting business negotiations by providing consulting services and recommendations.

(3) Execution stage

(a) Shanghai TPP will provide the Working Parties with a gallery of pictures and materials as well as any necessary and appropriate training for the use of the gallery;

(b) Shanghai TPP will assist Youku Information and the Working Parties in completing the supervisory review and adjusting the design by providing recommendations to ensure the commodities and marketing materials of the Working Parties to be in compliance with the applicable laws and regulations; and

(c) Shanghai TPP will be responsible for coordinating with e-commerce resources platforms, assisting in ensuring the availability of resource packs, providing timely feedbacks to Youku Information and its Working Parties and helping the Working Parties complete the commercial development transactions.

Basis of determination of the Service Fees

The Service Fees chargeable by Shanghai TPP to Youku Information shall be a certain proportion of total income (inclusive taxes) receivable by Youku Information from commercial development of the Original Programmes for which Shanghai TPP provides the Services. Such proportion shall be determined by both parties prior to the commencement of each financial year (from April 1 of a year up to March 31 of the following year). The sharing proportion for the financial year ending March 31, 2020 is fixed at 5%, while that for the subsequent financial years shall be determined after arm's length negotiations between the parties with reference to, among others, services resources, services capability and satisfaction levels of the relevant Working Parties. But, in any event, such proportion shall be in the range of 3% to 7%.

Payment terms

The Service Fees shall be charged by Shanghai TPP to Youku Information on a quarterly basis and settled in cash within 10 business days upon Youku Information's receipt of the value-added tax invoice(s) from Shanghai TPP.

Annual caps

Each of the annual caps for the Service Fees under the Commercial Development Services Agreement for the three financial years ending March 31, 2020, March 31, 2021 and March 31, 2022 is fixed at RMB80 million.

The above annual caps are determined with reference to (i) Youku Information's potential demand for the commercial development of drama series and variety shows during the term of the Commercial Development Services Agreement, (ii) the human resources to be available from Shanghai TPP, and (iii) a certain buffer for a potential growth in such demand of Youku Information.

REASONS FOR AND BENEFITS OF ENTERING INTO THE COMMERCIAL DEVELOPMENT SERVICES AGREEMENT

Youku is one of the leading online video streaming platforms in the PRC. Youku enables users to search, view and share high-quality video content quickly and easily across multiple devices. Youku's original drama series and variety shows retain a large users base and potential appeals for commercial development. Through the services cooperation with Youku Information on its original drama series and variety shows, it will enhance the Group's operation teams' understandings on and further explorations into the market for IP-based commercial development, and also improve their capabilities of attracting business opportunities and provision of relevant services. Based on the IP-based development and production capabilities of Youku Information as well as the commercialization experience and the talent pool of the Group, with the synergy of both parties' cooperation, it will certainly provide better services for our working partners and promote mutual success for multiple parties.

Having reviewed the terms of the Commercial Development Services Agreement, the Directors (including the independent non-executive Directors) are of the view that the terms of the Commercial Development Services Agreement and the relevant annual caps are fair and reasonable, the transactions contemplated thereunder are on normal commercial terms to the Company and that the entering into of the Commercial Development 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

Youku Information is a consolidated entity of AGH. AGH is the ultimate sole shareholder of Ali CV which is a substantial shareholder and a connected person of the Company holding approximately 50.65% of the issued share capital of the Company as at the date of this announcement. Accordingly, Youku Information is an associate of Ali CV and hence a connected person of the Company. The entering into of the Commercial Development Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the highest annual cap of the Service Fees under the Commercial Development Services Agreement are more than 0.1% but less than 5%, the entering into of the Commercial Development 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.

As each of Mr. Fan Luyuan, Mr. Meng Jun, Ms. Zhang Yu and Mr. Chang Yang is an employee of AGH or its subsidiaries, he/she is deemed or may be perceived to have a material interest in the Commercial Development Services Agreement, the relevant annual caps and the transactions contemplated thereunder. As such, each of Mr. Fan Luyuan, Mr. Meng Jun, Ms. Zhang Yu and Mr. Chang Yang has abstained from voting on the resolution(s) passed by the Board in relation to the Commercial Development Services Agreement, the relevant annual caps and the transactions contemplated under the Commercial Development Services Agreement. Save as aforesaid, none of the other Directors has a material interest in the Commercial Development Services Agreement, the relevant annual caps and the transactions contemplated under the Commercial Development Services Agreement, and therefore none of them has abstained from voting on the said resolution(s) passed by the Board.

INFORMATION ON THE COMPANY AND SHANGHAI TPP

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.

Shanghai TPP, being a company established under the laws of the PRC, is a consolidated subsidiary of the Company which is principally engaged in film investment, film distribution, film agency, advertising production, advertising distribution, advertising agency, technological consultation, technology transfer and technological services in the professional field of network technology and e-commerce.

INFORMATION ON AGH, ALIBABA GROUP AND YOUKU INFORMATION

AGH is a company incorporated in the Cayman Islands and its American depositary 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.

Youku Information, being a company established under the laws of the PRC, is a consolidated entity of AGH which is principally engaged in online video services, online advertising businesses and value-added telecommunication services in the PRC on Youku platform.

DEFINITIONS

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

"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
"Ali CV"	Ali CV Investment Holding Limited, a company incorporated in the Cayman Islands and an indirect wholly-owned subsidiary of AGH
"associate"	has the meaning ascribed to this term under Chapter 14A of the Listing Rules

"Board"	the board of Directors
"Commercial Development Services Agreement"	the commercial development services agreement entered into between Shanghai TPP and Youku Information on April 12, 2019 for a term commencing from April 1, 2019 and ending on March 31, 2022 in relation to the Services
"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"	has the meaning ascribed to this term under Chapter 14A of the Listing Rules
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IP"	intellectual property
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Original Programmes"	original entertainment programmes (including but not limited to drama series and online variety shows) produced, or jointly produced, by Youku Information, and the intellectual property rights of which are owned and may be used by Youku Information for commercial development
"PRC"	the People's Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC

"Service Fees"	has the meaning as defined under the section headed "PRINCIPAL TERMS OF COMMERCIAL DEVELOPMENT SERVICES AGREEMENT – Subject matter" of this announcement
"Services"	has the meaning as defined under the section headed "PRINCIPAL TERMS OF COMMERCIAL DEVELOPMENT SERVICES AGREEMENT – Subject matter" of this announcement
"Shanghai TPP"	上海淘票票影視文化有限公司 (Shanghai Tao Piao Piao Movie & TV Culture Co., Ltd.*), a company established under the laws of the PRC with limited liability and a consolidated subsidiary of the Company
"Share(s)"	ordinary share(s) of HK$0.25 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to this term under the Listing Rules
"substantial shareholder"	has the meaning ascribed to this term under the Listing Rules
"Working Parties"	the working parties participating in the commercial development of the Original Programmes (including but not limited to, the development of IP-derivative commodities, joint marketing, cooperation in commercial advertising and embedded advertising in the Original Programmes)
"Youku Information"	優酷信息技術（北京）有限公司 (Youku Information Technology (Beijing) Co., Ltd.*), a company established in the PRC with limited liability and a consolidated entity of AGH

"%" per cent.

* *For identification purpose only*

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

Hong Kong, April 12, 2019

As at the date of this announcement, the Board comprises Mr. Fan Luyuan and Mr. Meng Jun, being the executive Directors; Ms. Zhang Yu and Mr. Chang Yang, being the non-executive Directors; and Ms. Song Lixin, Mr. Tong Xiaomeng and Mr. Johnny Chen, being the independent non-executive Directors.