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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 - ENTERING INTO OF THE OPERATING SERVICE AGREEMENT

OPERATING SERVICE AGREEMENT

The Board announces that Shouquanbao, a consolidated subsidiary of the Company, entered into the Operating Service Agreement with the Tmall Entities on May 11, 2018, for a term commencing from May 11, 2018 and ending on March 31, 2021. Pursuant to the Operating Service Agreement, the Tmall Entities have agreed to use, and Shouquanbao has agreed to provide, the Operating Services.

The annual caps with respect to the transactions contemplated under the Operating Service Agreement for the three financial years ending March 31, 2019, March 31, 2020 and March 31, 2021 will be RMB47,500,000, RMB70,000,000, and RMB98,000,000, respectively.

LISTING RULES IMPLICATIONS

The Tmall Entities are both subsidiaries 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 49.03% of the issued share capital of the Company as at the date of this announcement. Accordingly, the Tmall Entities are connected persons of the Company. The entering into of the Operating Service Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the highest annual cap for the Operating Services under the Operating Service Agreement are greater than 0.1% but less than 5%, the entering into of the Operating Service Agreement is subject to the reporting, announcement and annual review requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. INTRODUCTION

The Board announces that Shouquanbao, a consolidated subsidiary of the Company, entered into the Operating Service Agreement with the Tmall Entities on May 11, 2018, for a term commencing from May 11, 2018 and ending on March 31, 2021. Pursuant to the Operating Service Agreement, the Tmall Entities have agreed to use, and Shouquanbao has agreed to provide, the Operating Services.

2. PRINCIPAL TERMS OF THE OPERATING SERVICE AGREEMENT

The principal terms of the Operating Service Agreement are set out below:

Date: May 11, 2018

Parties:
(1) Tmall Network
(2) Tmall Technology
(together, the "**Tmall Entities**")
(3) Shouquanbao

Term: the period commencing from May 11, 2018 and ending on March 31, 2021

Subject Matter

The Tmall Entities have agreed to use, and Shouquanbao has agreed to provide, such services which are necessary for Shouquanbao to operate Tmall on behalf of the Tmall Entities in relation to the Relevant Categories, including carrying out contacts with Merchants on behalf of the Tmall Entities, taking actions in relation to breaches by Merchants, customer services, marketing services, Merchant evaluation and quality control of merchandise.

Pricing Basis

The service fee receivable by Shouquanbao from the Tmall Entities will be 50% of the software technology service fee payable by the Merchants to the Tmall Entities based on the volume of completed sales on the Tmall platform in the Relevant Categories. The aforesaid service fee is determined by reference to, among other things, the operating costs expected to be incurred by the Group in providing the Operating Services including staff costs, forecast marketing and promotional activities and technical support expenses.

Payment Terms

On the second business day of each month, the Tmall Entities will provide details of the net turnover in the Relevant Categories and the amount of the service fee for the preceding month to Shouquanbao for confirmation.

The service fee shall be paid by the Tmall Entities in cash on a quarterly basis. Shouquanbao will issue invoices quarterly and Tmall Technology is required to make the payment within 10 business days upon receipt of the invoice issued by Shouquanbao.

3. ANNUAL CAP AND BASIS OF DETERMINATION OF ANNUAL CAP

The Board has determined that annual caps for the transactions contemplated under the Operating Service Agreement for the three financial years ending March 31, 2019, March 31, 2020 and March 31, 2021 will be RMB47,500,000, RMB70,000,000, and RMB98,000,000, respectively.

The annual caps are determined with reference to (i) the expected rate of usage and demand for the Operating Services during the term of the Operating Service Agreement based on historical turnover on the Tmall platform in the Relevant Categories, and (ii) a certain percentage of buffer for potential increment in the transaction volume year-on-year.

4. REASONS FOR AND BENEFITS OF ENTERING INTO THE OPERATING SERVICE AGREEMENT

Tmall is a leading online platform featuring brands with each Merchant having a uniquely identifiable online storefront. Tmall caters to online and mobile consumers looking for branded products and a premium shopping experience. It is a trusted platform for consumers to buy both homegrown and international branded products and products that are not available in traditional retail outlets. Brands and Merchants operate their own stores on the Tmall platform with unique brand identities and look and feel, accompanied by full control over their own branding and merchandising. A large number of international and Chinese brands and Merchants have established storefronts on Tmall.

The Group's Shouquanbao business has been involved in the development of IP derivative merchandise for several years. It has gained extensive operational experiences on these products and accumulated relevant industry resources. Given the large user base of Tmall and the expertise of Shouquanbao on the Relevant Categories, the collaboration between the two parties would be mutually beneficial. Accordingly, in the Company's view, the entering into of the Operating Service Agreement and the resulting arrangement with Tmall are conducive to Shouquanbao realizing its commercial objectives and potential.

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

Operating Service 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.

5. LISTING RULES IMPLICATIONS

The Tmall Entities are both subsidiaries 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 49.03% of the issued share capital of the Company as at the date of this announcement. Accordingly, the Tmall Entities are connected persons of the Company. The entering into of the Operating Service Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the highest annual cap for the Operating Services under the Operating Service Agreement are greater than 0.1% but less than 5%, the entering into of the Operating Service Agreement is subject to the reporting, announcement and annual review requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Yu Yongfu, Mr. Shao Xiaofeng and Mr. Fan Luyuan are employees of AGH or its subsidiaries, each of them is deemed or may be perceived to have a material interest in the Operating Service Agreement and the transactions contemplated thereunder. Accordingly, they have abstained from voting on the resolutions passed by the Board in relation to the Operating Service Agreement and the annual caps. Save for the aforesaid Directors, none of the other Directors has a material interest in the Operating Service Agreement and the transactions contemplated thereunder, and therefore none of them has abstained from voting on the relevant resolutions passed by the Board.

6. INFORMATION ON THE COMPANY AND SHOUQUANBAO

The Company is listed on both the Stock Exchange (stock code: 1060) and the Singapore Exchange Securities Trading Limited (stock code: S91). As the flagship unit of Alibaba Group's entertainment arm, 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 the 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 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.

Shouquanbao, being a company established under the laws of the PRC, is a consolidated subsidiary of the Company which is principally engaged in advertising and sale of entertainment related merchandise and derivatives.

7. INFORMATION ON AGH, ALIBABA GROUP AND THE TMALL ENTITIES

AGH is a company incorporated in the Cayman Islands and its American depositary shares are listed on the New York Stock Exchange.

Alibaba Group's mission is to make it easy to do business anywhere. It is the largest retail commerce company in the world in terms of gross merchandise volume in the twelve months ended March 31, 2017. Founded in 1999, Alibaba Group provides the fundamental technology infrastructure and marketing reach to help merchants, brands and other businesses that provide products, services and digital content to leverage the power of the Internet to engage with their users and customers. Alibaba Group's businesses are comprised of core commerce, cloud computing, digital media and entertainment and innovation initiatives and others.

Tmall Network is a company established in the PRC with limited liability and a consolidated entity of AGH. Tmall Network is principally engaged in the operation of Tmall.

Tmall Technology is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of AGH. Tmall Technology is principally engaged in the provision of software and technology services for Tmall.

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
"**Ali CV**"	Ali CV Investment Holding Limited, a company incorporated in the Cayman Islands
"**Alibaba Group**"	AGH and its subsidiaries
"**Board**"	the board of Directors
"**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
"**Directors**"	the directors of the Company
"**Group**"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"**Hong Kong**"	the Hong Kong Special Administrative Region of the PRC
"**Listing Rules**"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"**Merchant**"	a legal entity which conducts sale of products or provision of services on Tmall
"Operating Services"	services provided by Shouquanbao to the Tmall Entities pursuant to the Operating Service Agreement, namely, such services which are necessary for Shouquanbao to operate Tmall on behalf of the Tmall Entities in relation to the Relevant Categories, including carrying out contacts with Merchants on behalf of the Tmall Entities, taking actions in relation to breaches by Merchants, customer services, marketing services, Merchant evaluation and quality control of merchandise
"Operating Service Agreement"	the agreement entered into between the Tmall Entities and Shouquanbao on May 11, 2018, pursuant to which the Tmall Entities have agreed to use, and Shouquanbao has agreed to provide, the Operating Services
"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 Categories"	certain product categories offered in the Tmall, namely action figures, film & TV & entertainment merchandise, board & card games, cosplay, etc.
"**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
"**Stock Exchange**"	The Stock Exchange of Hong Kong Limited
"**subsidiary**"	has the meaning ascribed to this term under the Listing Rules
"**substantial shareholder**"	has the meaning ascribed to this term under the Listing Rules
"**Tmall**"	a third party online platform for brands and retailers operated under the domain name Tmall.com (or such other URLs as may be used by Tmall, including but not limited to URLs used for the Internet on personal computers or mobile devices, as amended from time to time based on the business needs of Tmall)
"Tmall Entities"	Tmall Network and Tmall Technology
"Tmall Network"	浙江天貓網絡有限公司 (Zhejiang Tmall Network Co., Ltd.*), a company established in the PRC with limited liability and a consolidated entity of AGH
"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

** For identification purpose only*

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

Hong Kong, May 11, 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. Shao Xiaofeng and Mr. Li Lian Jie, being the non-executive directors; and Ms. Song Lixin, Mr. Tong Xiaomeng and Mr. Johnny Chen, being the independent non-executive directors.