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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **Alibaba Pictures Group Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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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  
IN RELATION TO**

- (1) TRANSFER OF COPYRIGHTS OF TARGET DRAMAS AND MOVIES,  
(2) PROVISION OF OTHER COMMERCIAL DEVELOPMENT SERVICES  
AND  
(3) PROVISION OF DISTRIBUTION SERVICES FOR  
TV BROADCASTING RIGHTS  
AND  
NOTICE OF SGM**

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**



**PLATINUM**  
Securities

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A letter from the Independent Board Committee to the Independent Shareholders is set out on pages IBC-1 to IBC-2 of this circular. A letter from Platinum Securities Company Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages IFA-1 to IFA-22 of this circular.

A notice convening the SGM to be held at 16/F., Block B, Wangjing, Ali Center, Building 4, Zone 4, Wangjing East Park, Chaoyang District, Beijing City, the People's Republic of China on Thursday, September 19, 2019 immediately after the conclusion of the annual general meeting of the Company to be held at the same location on Thursday, September 19, 2019 at 10: 30 a.m. (or any adjournment thereof) is set out on pages SGM-1 to SGM-2 of this circular.

If you are not able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders of the Company from attending and voting in person at the SGM or any adjourned meeting if they so wish.

September 4, 2019

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## DEFINITIONS

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*In this circular (other than the notice of the SGM), unless the context otherwise requires, the following expressions shall have the following meanings:*

“Advertisement Solicitation Services”	has the meaning ascribed to it under the sub-section headed “Letter from the Board – THE FRAMEWORK AGREEMENT – Principal terms – 2. <i>Provision of Other Commercial Development Services – (i) Provision of Advertisement Solicitation Services</i> ”
“affiliate(s)”	with respect to any designated entity, any other entity that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such entity; for the purpose of this circular, Youku Technology together with its affiliates and the Company together with its subsidiaries shall not be deemed to be an affiliate of each other
“AGH”	Alibaba Group Holding Limited, an associated corporation of the 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 and an indirect wholly-owned subsidiary of AGH
“Alibaba Group”	AGH and its subsidiaries
“Announcement”	the announcement dated August 6, 2019 made by the Company in relation to, among other things, the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Annual Caps”	the expected annual maximum transaction amounts chargeable by Huameng and/or any of its affiliates to Youku Technology and/or any of its affiliates in respect of the transactions contemplated under the Framework Agreement for the three financial years ending March 31, 2020, March 31, 2021 and March 31, 2022, and each an “Annual Cap”
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Commercial Development”	use, permission to use and/or transfer of any rights attached to Dramas and Movies (other than distribution), such as sponsorship, advertising, derivative development, video game development and use of characters’ images

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## DEFINITIONS

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“Commercial Development Solicitation Services”	has the meaning ascribed to it under the sub-section headed “Letter from the Board – THE FRAMEWORK AGREEMENT – Principal terms – 2. <i>Provision of Other Commercial Development Services – (ii) Provision of Commercial Development Solicitation Services</i> ”
“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 it under the Listing Rules
“Copyrights”	the copyrights, including rights of publication, authorship, alteration, integrity, reproduction, distribution, rental, exhibition, performance, release, broadcasting, online dissemination, shooting and production, adaption, translation, compiling and other rights to which the copyright owner is entitled to
“Directors”	the directors of the Company
“Distribution Services”	has the meaning ascribed to it under the sub-section headed “Letter from the Board – THE FRAMEWORK AGREEMENT – Principal terms – 3. <i>Provision of Distribution Services for TV Broadcasting Rights</i> ”
“Dramas and Movies”	collectively, the movies, TV dramas and online dramas
“Effective Date”	the date on which all conditions precedent under the Framework Agreement, details of which are set out in the sub-section headed “Letter from the Board – THE FRAMEWORK AGREEMENT – Term and conditions precedent”, having been satisfied
“Framework Agreement”	the framework agreement entered into between Huameng and Youku Technology on August 6, 2019 in relation to the transfer of Copyrights of the Target Dramas and Movies, provision of other commercial development services including provision of the Advertisement Solicitation Services and the Commercial Development Solicitation Services, and the provision of the Distribution Services for TV Broadcasting Rights
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Huameng”	華盟(天津)文化傳媒有限公司(Huameng (Tianjin) Culture Media Co., Ltd.*) (formerly known as 華盟(天津)文化投資有限公司 (Huameng (Tianjin) Culture Investment Co., Ltd.*)), a company established in the PRC with limited liability and a consolidated subsidiary of the Company
“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, formed to advise the Independent Shareholders on the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Independent Financial Adviser” or “Platinum”	Platinum Securities Company Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Independent Shareholder(s)”	Shareholders other than Ali CV and its respective associates
“Latest Practicable Date”	August 30, 2019, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PCIP I”	PCIP I Limited, an associated corporation of the Company and a consolidated entity of AGH
“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, the Macao Special Administrative Region and Taiwan
“Purchase Price”	has the meaning ascribed to it under the sub-section headed “Letter from the Board – THE FRAMEWORK AGREEMENT – Principal terms – 1. Transfer of Copyrights of Target Dramas and Movies”
“RMB”	Renminbi, the lawful currency of the PRC
“Scoring System”	has the meaning ascribed to it under the sub-section headed “Letter from the Board – THE FRAMEWORK AGREEMENT – Principal terms – 1. Transfer of Copyrights of Target Dramas and Movies”

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## DEFINITIONS

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“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened for the Independent Shareholders to consider, and if thought fit, approve the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Share(s)”	ordinary share(s) of HK\$0.25 each in the share capital of the Company
“Shareholders”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Dramas and Movies”	collectively, the movies, TV and online dramas, the copyrights of which are owned by Huameng and/or any of its affiliates
“TV”	television
“TV Broadcasting Rights”	the rights to broadcast any dramas on TV stations
“Youku”	an online video and streaming service platform operated by Youku Technology’s affiliate
“Youku Technology”	北京優酷科技有限公司 (Beijing Youku Technology Co., Ltd.*), a company established in the PRC with limited liability and an indirect subsidiary of AGH
“%”	per cent

\* *For identification purposes only*

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## LETTER FROM THE BOARD

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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)

### *Executive Directors*

Mr. Fan Luyuan (*Chairman & Chief Executive Officer*)

Mr. Meng Jun

### *Non-executive Directors*

Ms. Zhang Yu

Mr. Chang Yang

### *Independent non-executive Directors*

Ms. Song Lixin

Mr. Tong Xiaomeng

Mr. Johnny Chen

### *Registered Office*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

### *Head Office and Principal Place of Business in Hong Kong*

26/F, Tower One, Times Square

1 Matheson Street

Causeway Bay

Hong Kong

September 4, 2019

*To the Shareholders*

Dear Sir or Madam,

## **CONTINUING CONNECTED TRANSACTIONS IN RELATION TO**

**(1) TRANSFER OF COPYRIGHTS OF TARGET DRAMAS AND MOVIES,  
(2) PROVISION OF OTHER COMMERCIAL DEVELOPMENT SERVICES**

**AND**

**(3) PROVISION OF DISTRIBUTION SERVICES FOR  
TV BROADCASTING RIGHTS**

### **INTRODUCTION**

Reference is made to the Announcement in which it was disclosed that on August 6, 2019, Huameng, a consolidated subsidiary of the Company, entered into the Framework Agreement with Youku Technology, pursuant to which the parties agreed that (1) Huameng and/or any of its affiliates may transfer to Youku Technology and/or any of its affiliates, and/or authorize Youku Technology and/or any of its affiliates to use, all or parts of its Copyrights of the Target Dramas and Movies; (2) Youku Technology and/or any of its affiliates may entrust Huameng and/or any of its affiliates to provide other commercial development services, being the provision of the Advertisement Solicitation Services and the

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## LETTER FROM THE BOARD

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Commercial Development Solicitation Services; and (3) Youku Technology and/or any of its affiliates may entrust Huameng and/or any of its affiliates to provide the Distribution Services for the TV Broadcasting Rights, subject to the relevant Annual Caps.

The purpose of this circular is to provide you with, among others, (i) further details of the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps); (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders advising on the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps); (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders advising on the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps); and (iv) a notice of SGM.

### THE FRAMEWORK AGREEMENT

#### Date

August 6, 2019

#### Parties

- (1) Huameng, a consolidated subsidiary of the Company; and
- (2) Youku Technology, an indirect subsidiary of AGH and a connected person of the Company

#### Term and conditions precedent

Subject to the Company having obtained the approval of the Board and the Independent Shareholders at the SGM by way of poll for the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) in accordance with the Listing Rules, the term of the transactions contemplated under the Framework Agreement shall commence on the Effective Date and end on March 31, 2022.

#### Principal terms

##### *1. Transfer of Copyrights of Target Dramas and Movies*

Huameng and/or any of its affiliates may transfer all or part of the rights attached to the Copyrights of the Target Dramas and Movies to Youku Technology and/or any of its affiliates, and/or authorize Youku Technology and/or any of its affiliates to use such rights. Both parties further agreed that the maximum length of the Target Dramas and Movies to be purchased by Youku Technology and/or any of its affiliates from Huameng and/or any of its affiliates would be capped at 12,000 minutes for each of the periods from the Effective Date to March 31, 2020 and the two financial years ending March 31, 2021 and March 31, 2022.



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## LETTER FROM THE BOARD

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The price for the transfer and/or authorization of the Copyrights of the Target Dramas and Movies (the “Purchase Price”) shall be calculated as follows:

(i) *TV and online dramas*

$$\text{Purchase Price} = \begin{array}{l} \text{actual production} \\ \text{cost of the TV and} \\ \text{online dramas} \end{array} + \begin{array}{l} \text{contingent} \\ \text{premium share} \end{array} + \begin{array}{l} \text{contingent} \\ \text{allocation share} \end{array}$$

where:

- the “contingent premium share” shall be no less than 5% of the actual production cost of a TV or online drama and shall be calculated with reference to the rating of the TV or online drama to be determined by the scoring system (i.e. assessment based on various factors, such as theme of the script, plot, production crew, the quality of shooting and the professional quality of director and actors) as set up by Youku Technology (the “Scoring System”).

However, given that each TV or online drama has its unique features, as a matter of fact, there is no quantitative formula for determining the contingent premium share based on the rating under the Scoring System. However, the parties will negotiate on arm’s length and in good faith based on the abovementioned factors in order to arrive at a rating agreeable to and satisfactory for both parties. When the rating of a particular TV or online drama under the Scoring System has been discussed and agreed between the parties, the parties will then negotiate and agree in good faith the amount of the contingent premium share with reference to such rating, and in general, the higher the overall rating, the greater the contingent premium share will be and vice versa, subject to a minimum of 5% of the actual production cost as set out above; and

- the “contingent allocation share” is to be ascertained after the release of a TV or online drama with reference to various factors, including the popularity ranking, the total number of broadcasts or the ranking in terms of the annual number of broadcasts of the TV or online drama on Youku and/or other criteria to be further mutually and reasonably agreed by the parties on a case-by-case basis.

As some of the above factors are not generic in nature which highlights the versatility and uniqueness of each TV or online drama, there is no quantitative formula for determining (i) the contingent allocation share based on the above factors; or (ii) what factors would apply to a particular TV or online drama for the purposes of determining the contingent allocation share.

Prior to the production of the TV or online drama, the parties will agree on the factors that would apply to the determination of the contingent allocation share and an estimation on the above applicable factors where quantifiable, such as the estimated total number of broadcasts or the estimated ranking. After a particular TV or online drama has been broadcasted, the parties will collect and analyse the data/information on the above

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## LETTER FROM THE BOARD

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factors and compare such data/information with the original estimations prior to production, and will then negotiate and agree in good faith the amount of the contingent allocation share based on the above factors on a case-by-case basis.

Contingent allocation share will only be paid as part of the Purchase Price if the parties agree in good faith that these factors on an overall basis are better than the estimations made prior to the production of the TV or online drama. However, as explained above, there is no indicative range or scale of the contingent allocation share based on the above factors.

(ii) *Movies*

Purchase Price = fixed price/tiered pricing + contingent allocation share

where:

- the “fixed price”, which is used for determining the Purchase Price of a released movie with the known total box office in the PRC, is to be calculated with reference to various factors, including the total box office of the movie in the PRC, comparable prices from any independent third party on other online platforms and the rating of the movie to be determined by the Scoring System and to be agreed upon mutual negotiation between the parties on a case-by-case basis; and the higher the number in the above factors, the higher the fixed price will be. For example, in general, the higher the total box office of the movie in the PRC, the more popular the movie will be and so the higher the fixed price may be and vice versa;
- the “tiered pricing”, which is used for determining the purchase price of a not-yet-released movie or a movie which has been released but the final box office has not yet been ascertained, is to be calculated with reference to various factors, including the total estimated box office of the movie in the PRC, comparable prices from any independent third party on other online platforms and the rating of the movie to be determined by the Scoring System and to be agreed upon mutual negotiation between the parties on a case-by-case basis. The parties will also discuss and agree in good faith the pre-determined levels of box office and the corresponding tiered price on a case-by-case basis with reference to the above factors; and the higher the number in the above factors, the higher the tiered price will be. For example, in general, if the final box office of the movie in the PRC exceeds the pre-determined level of box office as set out above, the more popular the movie will be and so the higher the tiered price will be and vice versa; and
- the “contingent allocation share” is to be ascertained with reference to the quality ranking to be attained upon the release of a movie on Youku and/or other criteria to be further mutually and reasonably agreed by the parties on a case-by-case basis similar to the procedures for determining the contingent allocation share for TV and online dramas above.

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## LETTER FROM THE BOARD

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As some of the above factors are not generic in nature which highlights the versatility and uniqueness of each movie, there is no quantitative formula for determining (i) the contingent allocation share based on the above factors; or (ii) what factors would apply to a particular movie for the purposes of determining the contingent allocation share.

Contingent allocation share will only be paid as part of the Purchase Price if the parties agree in good faith that these factors on an overall basis are better than the estimations made prior to the release of a movie. However, as explained above, there is no indicative range or scale of the contingent allocation share based on the above factors.

### 2. *Provision of Other Commercial Development Services*

#### (i) *Provision of Advertisement Solicitation Services*

Youku Technology and/or any of its affiliates may entrust Huameng and/or any of its affiliates to provide all or part of the solicitation services for scheduled advertisement in relation to any Dramas and Movies to be broadcasted on Youku (the “Advertisement Solicitation Services”).

If Huameng and/or any of its affiliates succeed in introducing clients for placing scheduled advertisement for any Dramas and Movies on Youku, Huameng and/or any of its affiliates will be entitled to collect service fee from Youku Technology and/or any of its affiliates, which shall be calculated as follows:

$$\text{Service fee} = \frac{\text{revenue to be generated from scheduled advertisement on Youku}}{\text{revenue to be generated from scheduled advertisement on Youku}} \times \text{allocation share}$$

where:

the “allocation share” is to be reasonably determined by the parties with reference to factors, including but not limited to, the degree of difficulty in exploring business opportunities for scheduled advertisement on Youku and the impacts of the Dramas and Movies on the market. Where Huameng and/or any of its affiliates provide the production services for scheduled advertisement on Youku, Youku Technology and/or any of its affiliates shall reimburse Huameng and/or any of its affiliates for all the relevant costs, such as cost of shooting and production and taxes. An aggregate sum of the service fee and the relevant costs to be payable to Huameng and/or any of its affiliates shall be in a range between 20% and 50% of the revenue to be generated from scheduled advertisement on Youku. Based on the comparable cooperation with independent third parties in the past and/or market researches conducted by the Company, the Directors consider that such range is fair and reasonable.

#### (ii) *Provision of Commercial Development Solicitation Services*

Youku Technology and/or any of its affiliates may entrust Huameng and/or any of its affiliates to provide all or part of the solicitation services for the Commercial Development of Dramas and Movies on Youku (the “Commercial Development Solicitation Services”).

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## LETTER FROM THE BOARD

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If Huameng and/or any of its affiliates succeed in introducing clients for the Commercial Development of any Dramas and Movies on Youku, Huameng and/or any of its affiliates will be entitled to collect service fee from Youku Technology and/or any of its affiliates, which shall be calculated as follows:

$$\text{Service fee} = \text{revenue to be generated from the Commercial Development} \times \text{allocation share}$$

where:

the “allocation share” is to be agreed by both parties with regard to such factors, including but not limited to, the number of clients, the estimated transaction amounts, impacts of the results of the Commercial Development on the Dramas and Movies, the production costs, the implementation costs, comparable prices from any independent third party, and the rating of the Dramas and Movies to be determined by the Scoring System and to be agreed upon mutual negotiation between the parties on a case-by-case basis. Where Huameng and/or any of its affiliates carry out the implementation work on the Commercial Development, Youku Technology and/or any of its affiliates shall reimburse Huameng and/or any of its affiliates for all the relevant costs, such as cost of shooting and production and taxes. An aggregate sum of the service fee and the relevant costs to be payable to Huameng and/or any of its affiliates shall be in a range between 20% and 50% of the revenue to be generated from the Commercial Development. Based on the comparable cooperation with independent third parties in the past and/or market researches conducted by the Company, the Directors consider that such range is fair and reasonable.

### **3. Provision of Distribution Services for TV Broadcasting Rights**

Youku Technology and/or any of its affiliates may entrust Huameng and/or any of its affiliates to arrange for transfer and/or authorization of the use of its TV Broadcasting Rights in any Dramas and Movies (the “Distribution Services”), whereby Huameng and/or any of its affiliates are entitled to collect from Youku Technology and/or any of its affiliates an agency fee which shall be calculated as follows:

$$\text{Agency fee} = \text{revenue from distribution of the TV Broadcasting Rights} \times \text{allocation share}$$

where:

the “allocation share” shall be in a range between 5% and 15% of the revenue to be generated from distribution of the TV Broadcasting Rights and shall be reasonably determined by both parties having regard to factors, including but not limited to, the complexity of carrying out the Distribution Services, the estimated amount of revenue to be generated from the Distribution Services and the market practice. Youku Technology and/or any of its affiliates shall reimburse Huameng and/or any of its affiliates for any distribution fee paid by Huameng and/or any of its affiliates.

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## LETTER FROM THE BOARD

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In any event, all of the above fees chargeable by Huameng and/or any of its affiliates to Youku Technology and/or any of its affiliates will not be more favourable to Youku Technology and/or any of its affiliates, nor are they less favourable to Huameng and/or any of its affiliates, than those available to or from any independent third party under the same or similar conditions.

### CONTROL MEASURES

Based on the control measures set out below, the Company considers that: (a) the pricing formulas for calculating all the above fees (including the Purchase Price, the service fees and the agency fees chargeable under the Framework Agreement) and the factors to be taken into consideration in the pricing formulas are in line with the normal market practices; and (b) there should be no material difference between the pricing arrangements under the Framework Agreement and those with independent third parties, thereby ensuring the fees chargeable under the Framework Agreement being on normal commercial terms and no less favorable than similar transactions and arrangements with independent third parties.

*(i) Transfer of Copyrights of Target Dramas and Movies*

Although the Company has no similar arrangements with independent third parties in determining the prices on the transfer of Copyrights of Target Dramas and Movies, the Company believes there should be no material difference between the pricing arrangements under the Framework Agreement and those with independent third parties based on below control measures.

The Company expects that some Target Dramas and Movies will be jointly invested with independent third party investors. For the transfer of Copyrights of Target Dramas and Movies jointly invested with independent third party investors, Huameng and/or any of its affiliates shall form consensus with such investors on the purchase prices before entering into transactions with Youku Technology and/or any of its affiliates. The Company believes that such investors will give consent to the entering into of transactions under the Framework Agreement only if the purchases prices are good and reasonable as compared with the prevailing market prices for the same or similar transactions. Thus, it would ensure the pricing basis is to be in line with the market practice.

In addition, the Company will from time to time review the Purchase Price and the pricing basis by comparing them against the prices for comparable cooperation chargeable by the Group to any independent third party. The finance department of the Company will also from time to time conduct market researches, which may include obtaining the market information on the purchase price and/or pricing basis for movies and/or dramas that are sold by other market participants to other independent online platforms comparable to Youku Technology or to Youku Technology, to ensure that the Purchase Price and the pricing basis are in line with the normal market practices and no more favourable to Youku Technology and/or any of its affiliates than those available to any independent third party under the same or similar conditions. It will also regularly collect information and monitor the actual transactions conducted with the relevant parties and the corresponding fees incurred under the Framework Agreement on a regular basis (i.e. six months) and will update such information to the chief financial officer of the Company.

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## LETTER FROM THE BOARD

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*(ii) Provision of Other Commercial Development Services and Distribution Services for TV Broadcasting Rights*

The Company will from time to time review the service fees/agency fees and the pricing basis by comparing them against the fees for comparable cooperation chargeable by the Group to any independent third party. The finance department of the Company will also from time to time conduct market researches, which may include obtaining the market information on the service fees/agency fees and/or the pricing basis for similar services provided by other market participants to other independent online platforms comparable to Youku Technology or to Youku Technology, to ensure that the service fees/agency fees and the pricing basis are in line with the normal market practices and no more favourable to Youku Technology and/or any of its affiliates than those available to any independent third party under the same or similar conditions. It will also regularly collect information and monitor the actual transactions conducted with the relevant parties and the corresponding fees incurred under the Framework Agreement on a regular basis (i.e. six months) and will update such information to the chief financial officer of the Company.

For the transactions contemplated under the Framework Agreement as set out in sub-paragraphs (i) and (ii) above, the independent non-executive Directors will conduct annual independent review on the above control measures and the transactions to ensure that the transactions are entered into through arm's length negotiations and on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of the transactions. The auditor of the Company would also conduct an annual review on the pricing basis and the Annual Caps under the Framework Agreement. The Company will facilitate the provision of necessary information to its independent non-executive Directors and auditor for the purpose of such review. In addition, the Board will continue to review on a regular basis the Company's internal control system and its effectiveness.

### **PAYMENT TERMS**

All of the fees chargeable under the Framework Agreement shall be settled on a project basis pursuant to the payment terms set out in the specific agreements to be entered into between the parties for each project. Payment schedule shall be determined on case-by-case basis with reference to the type and the progress schedule of each project.

### **SPECIFIC AGREEMENTS**

Huameng and/or any of its affiliates and Youku Technology and/or any of its affiliates may from time to time enter into specific agreements which set out the detailed terms of the transactions (including payment terms) contemplated under the Framework Agreement in accordance with the terms of the Framework Agreement. The terms of the specific agreements will be negotiated on an arm's length basis between the parties.

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## LETTER FROM THE BOARD

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### ANNUAL CAPS AND BASIS OF DETERMINATION OF ANNUAL CAPS

The expected annual maximum transaction amounts chargeable by Huameng and/or any of its affiliates to Youku Technology and/or any of its affiliates for the below transactions contemplated under the Framework Agreement for the three financial years ending on March 31, 2020, March 31, 2021 and March 31, 2022 are set out below:

	For the financial year ending		
	March 31, 2020 (RMB'000)	March 31, 2021 (RMB'000)	March 31, 2022 (RMB'000)
1. Total revenue from the transfer of Copyrights of Target Dramas and Movies	550,000	550,000	550,000
2. Total fee for other commercial development services	10,000	10,000	10,000
3. Total agency fees for the Distribution Services	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>
Total (i.e. Annual Caps):	<u><u>600,000</u></u>	<u><u>600,000</u></u>	<u><u>600,000</u></u>

The Annual Caps are determined with reference to the annual business plans of the Group in relation to the production and distribution of the Dramas and Movies, having considered the following factors:

For the transfer of Copyrights of Target Dramas and Movies, the Group shall take into account of (a) the market demand for and trends of the Dramas and Movies production industry; (b) the historical transaction amounts (inclusive of tax) for the transfer of Copyrights of three Dramas and Movies for the year ended March 31, 2019 and Copyrights of five Dramas and Movies for the four months ended July 31, 2019 were approximately RMB235,750,000 and RMB118,336,000, respectively; (c) the expected number of Target Dramas and Movies for each of the three financial years ending March 31, 2020, March 31, 2021 and March 31, 2022 will not be more than 20 per year with an expected length not exceeding 12,000 minutes in aggregate; (d) the development and production pipeline, production budget, investment share, production crew of the Dramas and Movies; (e) the market influence of Dramas and Movies; (f) the box office target of movies; and (g) certain buffer of the corresponding maximum transaction amount of transfer of Copyrights of Target Dramas and Movies under the Annual Caps.

For the provision of other commercial development services, the Group shall take into account of (a) the expected number of advertisements and expected number of uses of rights attached to Dramas and Movies for Commercial Development purposes, assuming there being not more than eight projects in aggregate for each of the three financial years ending March 31, 2020, March 31, 2021 and March 31, 2022; (b) the expected aggregate sum of the estimated service fee and relevant costs receivable by Huameng and/or its affiliates in a range between 20% and 50% of the revenue to be generated from scheduled advertisement on Youku and/or the Commercial Development; and (c) certain buffer in the corresponding maximum transaction amount of the provision of other commercial development services under the Annual Caps.



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## LETTER FROM THE BOARD

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For the provision of Distribution Services for TV Broadcasting Rights, the Group shall take into account of (a) the expected number of dramas under the Distribution Services, assuming there being not more than three dramas to be broadcasted via TV through the Distribution Services for each of the three financial years ending March 31, 2020, March 31, 2021 and March 31, 2022; (b) the expected tiers, the expected number of episodes and the expected price for each episode of the dramas to be broadcasted via TV through the Distribution Services and the number of television platforms for broadcasting will remain substantially the same as the current market practice; (c) the expected allocation share in a range of 5% and 15% of the revenue to be generated from distribution of the TV Broadcasting Rights; and (d) certain buffer in the corresponding maximum transaction amount of transfer of the provision of Distribution Services for TV Broadcasting Rights under the Annual Caps.

It is assumed that the business scale of the Dramas and Movies production and distribution of the Company in the next three years will remain relatively stable. Therefore, consistent Annual Caps were set in respect of (i) transfer of Copyrights of Target Dramas and Movies; (ii) provision of other commercial development services; and (iii) provision of Distribution Services for TV Broadcasting Rights.

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENT**

The entering into of the Framework Agreement enables the Group to fully utilize and integrate the resources within the Alibaba Group. It will also enable the Group to leverage its unique advantage derived from the entire industry chain and all ecosystems within, thereby unifying upstream and downstream operations, as well as online and offline channels throughout the industry chain with its strengths in relevant data and ecosystems. Furthermore, the Framework Agreement can also enhance the professionalism and exposure of the production team of the Group that can in turn assist the Group in producing quality Dramas and Movies throughout the upstream and downstream markets of Dramas and Movies and can increase the market penetration of the Group in the Dramas and Movies production industry.

As each of Mr. Fan Luyuan, Mr. Meng Jun, Ms. Zhang Yu and Mr. Chang Yang is an employee of AGH or its subsidiaries, each of them is deemed or may be perceived to have a material interest in the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps). As such, Mr. Fan Luyuan, Mr. Meng Jun, Ms. Zhang Yu and Mr. Chang Yang 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 Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) which requires any of them to abstain from voting on the Board resolution(s) in relation thereto.

### **INFORMATION ON THE COMPANY AND HUAMENG**

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



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## LETTER FROM THE BOARD

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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.

Huameng, being a company established under the laws of the PRC, is a consolidated subsidiary of the Company which is principally engaged in production of broadcasting & television programs.

### **INFORMATION ON AGH, ALIBABA GROUP AND YOUKU TECHNOLOGY**

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.

Youku Technology, a company established under the laws of the PRC and an indirect subsidiary of AGH, is principally engaged in IP management, business planning and technology development.

### **LISTING RULES IMPLICATIONS**

Youku Technology is an indirect subsidiary 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 Latest Practicable Date. Accordingly, Youku Technology is an associate of Ali CV and hence a connected person of the Company. The entering into of the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios as defined in the Listing Rules in respect of the highest Annual Cap for the fees chargeable by Huameng and/or any of its affiliates to Youku Technology and/or any of its affiliates exceeds 5%, the transactions contemplated under the Framework Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **SGM**

The notice of SGM is set out on pages SGM-1 to SGM-2 of this circular. The SGM will be convened for the purpose of considering and, if thought fit, approving the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps).

As at the Latest Practicable Date, Ali CV and its associates were interested in an aggregate of 13,488,058,846 Shares, representing approximately 50.65% of the total issued share capital of the Company. Ali CV and its associates will be required to abstain from voting for the relevant resolution to approve the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) at the SGM. Further, Mr. Fan Luyuan, Mr. Meng Jun, Ms. Zhang Yu and Mr. Chang Yang, each being an employee of AGH or its subsidiaries, a Director and/or a Shareholder, will abstain from voting for the relevant resolution at the SGM. Based on the information, belief and knowledge of the Company, save as disclosed herein, no other Shareholder has a material interest in the Framework Agreement and

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## LETTER FROM THE BOARD

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the transactions contemplated thereunder (including the Annual Caps) and is therefore required to abstain from voting for the relevant resolution to approve the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) at the SGM.

Pursuant to the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the proposed resolution 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.

A form of proxy for the SGM is enclosed with this circular. If you are not able to attend the SGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof should you so desire.

The record date for determining the entitlement of the Shareholders to attend and vote at the SGM will be Friday, September 13, 2019. All transfers of Shares accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Friday, September 13, 2019.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps). The Company has appointed Platinum as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### RECOMMENDATIONS

Your attention is drawn to (i) the letter of advice from the Independent Board Committee to the Independent Shareholders on the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps); and (ii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps).

The Board (including the members of the Independent Board Committee whose opinion is set forth in the "LETTER FROM THE INDEPENDENT BOARD COMMITTEE" in this circular after considering the advice of the Independent Financial Adviser), is of the view that the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) are fair and reasonable, and on normal commercial terms, in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole. The Board recommends that the Independent Shareholders to vote in favour of the ordinary resolution relating thereto at the SGM.

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
For and on behalf of the Board  
**Alibaba Pictures Group Limited**  
**Fan Luyuan**  
*Chairman & Chief Executive Officer*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter of the Independent Board Committee to the Independent Shareholders in respect of the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) for inclusion in this circular.*



### 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)**

September 4, 2019

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO  
(1) TRANSFER OF COPYRIGHTS OF TARGET DRAMAS AND MOVIES,  
(2) PROVISION OF OTHER COMMERCIAL DEVELOPMENT SERVICES  
AND  
(3) PROVISION OF DISTRIBUTION SERVICES FOR  
TV BROADCASTING RIGHTS**

We refer to the circular issued by the Company to its Shareholders dated September 4, 2019 (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board to form an independent board committee to consider and advise you as to whether the terms of the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) are fair and reasonable, and on normal commercial terms, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole, and to recommend as to whether the Independent Shareholders should approve the entering into of the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps). Platinum has been appointed to act as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board, as set out on pages 5 and 17 of the Circular and a letter of advice from Platinum, as set out on pages IFA-1 and IFA-22 of the Circular, both of which provide details of the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps).

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered the terms of the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps), the advice and recommendation from Platinum and the relevant information contained in the letter from the Board, we are of the opinion that the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) are fair and reasonable, and on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the resolution to be proposed at the SGM to approve the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps).

Yours faithfully,

For and on behalf of

**Independent Board Committee**

**Song Lixin**

*Independent*

*non-executive Director*

**Tong Xiaomeng**

*Independent*

*non-executive Director*

**Johnny Chen**

*Independent*

*non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) for the inclusion in this circular.*



**PLATINUM** Securities Company Limited

21/F LHT Tower  
31 Queen's Road Central  
Hong Kong

**Telephone** (852) 2841 7000

**Facsimile** (852) 2522 2700

**Website** [www.platinum-asia.com](http://www.platinum-asia.com)

September 4, 2019

*To the Independent Board Committee and the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS IN RELATION TO  
(1) TRANSFER OF COPYRIGHTS OF TARGET DRAMAS AND MOVIES,  
(2) PROVISION OF OTHER COMMERCIAL DEVELOPMENT SERVICES  
AND  
(3) PROVISION OF DISTRIBUTION SERVICES  
FOR TV BROADCASTING RIGHTS**

### **INTRODUCTION**

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps). Details of the Framework Agreement are contained in the circular of the Company dated September 4, 2019 (the "Circular"). Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Independent Shareholders as to whether the Framework Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole and to give independent advice to the Independent Board Committee and the Independent Shareholders.

In formulating our opinion, we have relied on the information and facts supplied to us by the Directors and/or management of the Company. We have reviewed, among other things:

- (i) the Framework Agreement;
- (ii) the announcement of the Company dated August 6, 2019; and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (iii) the annual report of the Company for the financial year ended March 31, 2019 (“2018/2019 Annual Report”).

We have assumed that all information, facts, opinions and representations contained in the Circular and all information, statements and representations provided to us by the Directors and/or the management of the Company, which we have relied on, are true, complete and accurate and not misleading in all material respects as at the date hereof. The Directors have confirmed that they take full responsibility for the contents of the Circular and have made all reasonable inquiries that no material facts have been omitted from the information supplied to us.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other matters not contained in the Circular, the omission of which would make any statement in the Circular misleading or deceptive.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy or completeness of the information of all facts as set out in the Circular and of the information and representations provided to us by the Directors and/or management of the Company. Furthermore, we have no reason to suspect the reasonableness of the opinions and representations expressed by the Directors and/or management of the Company which have been provided to us. In line with normal practice, we have not conducted a verification process of the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs of the Company. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion regarding the Framework Agreement.

During the past two years, Mr. Li Lan, for and on behalf of Platinum, had signed the opinion letter from the Independent Financial Adviser contained in the Company’s circular dated January 31, 2019 in respect of the connected transaction in relation to subscription of new shares by the controlling shareholder and proposed share issuance under specific mandate. The past engagement was limited to providing independent advisory services to the independent board committee and the independent shareholders of the Company pursuant to the Listing Rules. Under the past engagement, Platinum received normal professional fee from the Company. Notwithstanding the past engagement during the past two years, as at the Latest Practicable Date, we were independent from, and were not associated with the Company or any other party to the Framework Agreement, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules and accordingly, are considered eligible to give independent advice on the Framework Agreement. We will receive a fee from the Company for our role as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Framework Agreement. Apart from this normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party to the Framework Agreement or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Independent Board Committee, comprising Ms. Song Lixin, Mr. Tong Xiaomeng and Mr. Johnny Chen, has been formed to advise the Independent Shareholders as to whether the terms of the Framework Agreement are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group, and whether the transactions contemplated thereunder (including the Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating and giving our independent financial advice to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors:

#### 1. Background of the Framework Agreement

On August 6, 2019, the Board announced that Huameng, a consolidated subsidiary of the Company, entered into the Framework Agreement with Youku Technology, pursuant to which the parties agreed that (1) Huameng and/or any of its affiliates may transfer to Youku Technology and/or any of its affiliates, and/or authorize Youku Technology and/or any of its affiliates to use, all or parts of its Copyrights of the Target Dramas and Movies; (2) Youku Technology and/or any of its affiliates may entrust Huameng and/or any of its affiliates to provide other commercial development services, being the provision of the Advertisement Solicitation Services and the Commercial Development Solicitation Services, and (3) Youku Technology and/or any of its affiliates may entrust Huameng and/or any of its affiliates to provide the Distribution Services for the TV Broadcasting Rights with respect to Dramas and Movies, subject to the relevant Annual Caps.

Youku Technology is an indirect subsidiary 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 Circular. Accordingly, Youku Technology is an associate of Ali CV and hence a connected person of the Company. The entering into of the Framework Agreement and the transactions contemplated thereunder constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios as defined in the Listing Rules in respect of the highest Annual Cap for the fees chargeable by Huameng and/or any of its affiliates to Youku Technology and/or any of its affiliates exceeds 5%, the transactions contemplated under the Framework Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2. Information on the Company, Huameng, AGH, Alibaba Group and Youku Technology

#### *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 Huameng*

Huameng, being a company established under the laws of the PRC, is a consolidated subsidiary of the Company which is principally engaged in production of broadcasting & television programs.

#### *Information on AGH*

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).

#### *Information on Alibaba Group*

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.

#### *Information on Youku Technology*

Youku Technology, a company established under the laws of the PRC and an indirect subsidiary of AGH, is principally engaged in IP management, business planning and technology development.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3. Principal terms of the Framework Agreement

The principal terms of the Framework Agreement are set out as follows:

***Date***

August 6, 2019

***Parties***

- (1) Huameng, a consolidated subsidiary of the Company; and
- (2) Youku Technology, an indirect subsidiary of AGH and a connected person of the Company

***Term and conditions precedent***

Subject to the Company having obtained the approval of the Board and the Independent Shareholders at the SGM by way of poll for the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) in accordance with the Listing Rules, the term of the transactions contemplated under the Framework Agreement shall commence on the Effective Date and end on March 31, 2022.

***Principal terms***

***(1) Transfer of Copyrights of Target Dramas and Movies***

Huameng and/or any of its affiliates may transfer all or part of the rights attached to the Copyrights of the Target Dramas and Movies to Youku Technology and/or any of its affiliates, and/or authorize Youku Technology and/or any of its affiliates to use such rights. Both parties further agreed that the maximum length of the Target Dramas and Movies to be purchased by Youku Technology and/or any of its affiliates from Huameng and/or any of its affiliates would be capped at 12,000 minutes for each of the periods from the Effective Date to March 31, 2020 and the two financial years ending March 31, 2021 and March 31, 2022.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The price for the transfer and/or authorization of the Copyrights of the Target Dramas and Movies (the “Purchase Price”) shall be calculated as follows:

(i) *TV and online dramas*

Purchase Price = actual production cost of the TV or online dramas + contingent premium share + contingent allocation share

Where:

- the “contingent premium share” shall be no less than 5% of the actual production cost of the TV or online dramas and shall be calculated with reference to the rating of the TV or online dramas to be determined by the scoring system (i.e. assessment based on various factors, such as themes of the scripts, plots, production crews, the quality of shooting and the professional quality of directors and actors) as set up by Youku Technology (the “Scoring System”).

However, given that each TV or online drama has its unique features, as a matter of fact, there is no quantitative formula for determining the contingent premium share based on the rating under the Scoring System. However, the parties will negotiate on arm’s length and in good faith based on the abovementioned factors in order to arrive at a rating agreeable to and satisfactory for both parties. When the rating of a particular TV or online drama under the Scoring System has been discussed and agreed between the parties, the parties will then negotiate and agree in good faith the amount of the contingent premium share with reference to such rating, and in general, the higher the overall rating, the greater the contingent premium share will be and vice versa, subject to a minimum of 5% of the actual production cost as set out above; and

- the “contingent allocation share” is to be ascertained after the release of a TV or online drama with reference to various factors, including the popularity ranking, the total number of broadcasts or the ranking in terms of the annual number of broadcasts of the TV or online dramas on Youku and/or other criteria to be further mutually and reasonably agreed by the parties on a case-by-case basis.

As some of the above factors are not generic in nature which highlight the versatility and uniqueness of each TV or online drama, there is no quantitative formula for determining (i) the contingent allocation share based on the above factors, or (ii) what factors would apply to a particular TV or online drama for the purposes of determining the contingent allocation share.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Prior to the production of the TV or online drama, the parties will agree on the factors that would apply to the determination of the contingent allocation share and an estimation on the above applicable factors where quantifiable, such as the estimated total number of broadcasts or the estimated ranking. After a particular TV or online drama has been broadcasted, the parties will collect and analyse the data/information on the above factors and compare such data/information with the original estimations prior to production, and will then negotiate and agree in good faith the amount of the contingent allocation share based on the above factors on a case-by-case basis.

Contingent allocation share will only be paid as part of the Purchase Price if the parties agree in good faith that these factors on an overall basis are better than the estimations made prior to the production of the TV or online drama. However, as explained above, there is no indicative range or scale of the contingent allocation share based on the above factors.

As the contingent allocation share has not been triggered by the parties before, there is no available information on historical range of contingent allocation share for illustrative purposes. In the future, when such information is available for a sufficient period of time after the implementation of the Framework Agreement, the Company will consider disclosing such information in its future financial reports as and when appropriate.

We have enquired the management of the Company and have reviewed previous agreements entered between the Group and Youku Technology in relation to the transferring of copyrights of TV or online drama. We consider that the formula of the Purchase Price is calculated on the same basis in accordance with the historical pricing terms and policies. In addition, based on our discussion with the management of the Company and considering the uniqueness of each TV or online drama that is exclusively tailored by the Group to the subscribers or audiences on Youku Technology platform, there would be no similar arrangements with independent third parties. We agreed that no quantitative formula could be used to determine the contingent premium share based on the Scoring System, taking into account that the subscribers or audiences must have different perceptions towards each TV or online drama and thus the result of the rating will be always different on a case-by-case basis. We acknowledged from the management of the Company and relied on their expertise in the online video stream industry in PRC that a minimum of 5% of the actual production cost is commonly known as the floor price when calculating the contingent premium share for a particular TV and online drama, and it applies to the current online video stream industry in PRC which is not only for the pricing terms used under the Framework Agreement. We note that such pricing practice is in line with the previous pricing terms contained in the previous agreements. Moreover, we have also enquired the management of the Company and have obtained two previous agreements in relation to the transferring of copyrights of online drama entered between an affiliate of Youku Technology and other independent third parties (“Previous I3P Drama Agreements”). We note that, under the Previous I3P Drama Agreements, the payment made by the the Youku Technology’s affiliate in respect of the amount of contingent premium share to the independent third parties are at

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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least 5% of the actual production cost of the relevant dramas. As such, we believe that such pricing practice is also in line with the general market practice in PRC online video stream industry. Regarding the contingent allocation share, we understand that, prior to the production of the TV or online drama, the parties will agree on the factors that would apply to the determination of the contingent allocation share and an estimation on the above applicable factors, such as the estimated total number of broadcasts or the estimated ranking, on a case-by-case basis. As such, it is unlikely to quantify the amount at the beginning while the contingent allocation share will only be paid as part of the Purchase Price if the parties agree in good faith that the various factors on an overall basis are better than the estimations made prior to the production of the TV or online drama. Therefore, we think that the contingent allocation share might be either incurred or waived subject to different cases. We noted from the management of the Company that the contingent allocation share through arm's length negotiation between the parties based on the estimation on the various factors is the prevailing market practice in the PRC online video stream industry that is not only applying to the Framework Agreement but also used by other market competitors. However, based on our review of the Previous I3P Drama Agreements, we noted that there is no such similar term, i.e. the contingent allocation share contained therein. In addition, we understand from the Company that the contingent allocation share has not been triggered between the Company and Youku Technology before, so there is no available information on historical range of contingent allocation share for illustrative purposes. Nevertheless the Company will consider disclosing such information in its future financial reports as and when appropriate.

In light of the above, we are of the view that the Purchase Price in terms of the contingent premium share contained herein is in line with the historical pricing practice of the Company and is also in line with the market practice in the PRC online video stream industry, which is on normal commercial term or better and is fair and reasonable so far as the Independent Shareholders are concerned. For the contingent allocation share, since there is no similar term, i.e. the contingent allocation share contained in the Previous I3P Drama Agreements while the Framework Agreement has included such term therein, we consider that the other independent third parties could not have a better or more favourable term than that of in the Framework Agreement entered between the Company and Youku Technology, which we consider is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(ii) *Movies*

Purchase Price = fixed price/tiered pricing + contingent allocation share

Where:

- the “fixed price”, which is used for determining the Purchase Price of a released movie with the known total box office in the PRC, is to be calculated with reference to various factors, including the total box office of the movie in the PRC, comparable prices from any independent third party on other online platforms and the rating of the movie to be determined by the Scoring System and to be agreed upon mutual negotiation between the parties on a case-by-case basis; and the higher the number in the above factors, the higher the fixed price will be. For example, in general, the higher the total box office of the movie in the PRC, the more popular the movie will be and so the higher the fixed price may be and vice versa;
- the “tiered pricing”, which is used for determining the purchase price of a not-yet-released movie or a movie which is released but the final box office is not yet ascertained, is to be calculated with reference to various factors, including the total estimated box office of the movie in the PRC, comparable prices from any independent third party on other online platforms and the rating of the movie to be determined by the Scoring System and to be agreed upon mutual negotiation between the parties on a case-by-case basis. The parties will also discuss and agree in good faith the pre-determined levels of box office and the corresponding tiered price on a case-by-case basis with reference to the above factors; and the higher the number in the above factors, the higher the tiered price will be. For example, in general, if the final box office of the movie in the PRC exceeds the pre-determined level of box office as set out above, the more popular the movie will be and so the higher the tiered price will be and vice versa; and
- the “contingent allocation share” is to be ascertained with reference to the quality ranking to be attained upon the release of a movie on Youku and/or other criteria to be further mutually and reasonably agreed by the parties on a case-by-case basis similar to the procedures for determining the contingency allocation share for TV and online dramas above.

As some of the above factors are not generic in nature which highlight the versatility and uniqueness of each movie, there is no quantitative formula for determining (i) the contingent allocation share based on the above factors, or (ii) what factors would apply to a particular movie for the purposes of determining the contingent allocation share.

Contingent allocation share will only be paid as part of the Purchase Price if the parties agree in good faith that these factors on an overall basis are better than the estimations made prior to the release of a movie. However, as explained above, there is no indicative range or scale of the contingent allocation share based on the above factors.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As the contingent allocation share has not been triggered by the parties before, there is no available information on historical range of contingent allocation share for illustrative purposes. In the future, when such information is available for a sufficient period of time after the implementation of the Framework Agreement, the Company will consider disclosing such information in its future financial reports as and when appropriate.

We have reviewed previous agreement entered between the Group and Youku Technology in relation to transferring of the rights of movies. We consider that the Purchase Price stated in the above is calculated on the same basis as compared with the previous pricing terms and related policies contained in the previous agreement. We consider that it is more straightforward to determine the Purchase Price of a released movie by using the fixed price that refers to the known total box office in the PRC of that particular movie, whereas the contingent allocation share, whether it would be realized or not would be subject to different cases as discussed in the above. Likewise, we understand from the Company that the contingent allocation share has not been triggered by the parties before, there is no available information on historical range of contingent allocation share for illustrative purposes and the Company will consider disclosing such information in its future financial reports as and when appropriate. In addition, we acknowledged from the management of the Company that the Purchase Price would also be calculated by tiered pricing method for determining the price of a not-yet-released movie or a movie which is released but the final box office is not yet ascertained with reference to, among other factors, estimation of the box office of that movie in PRC as well as the comparable prices from any independent third party on other online platforms, subject to other factors to be mutually agreed between the parties on a case-by-case basis. We have been told by the expert of the Company that it is common market practice in PRC online video stream industry. As such, we have enquired the management of the Company and have obtained two previous agreements in relation to the transferring of copyrights of movies entered between the Youku Technology and other independent third parties (“Previous Youku I3P Movie Agreements”). We noted that there are similar pricing term included in the Previous Youku I3P Movie Agreements regarding the determination on tiered pricing, including the estimated box office.

In light of the above, we are of the view that the determination of the Purchase Price in respect of the movies in terms of the fixed pricing term is on normal commercial terms, fair and reasonable and is in line with the historical pricing term entered between the Group and Youku Technology. Although we cannot see any similar term contained in the Previous Youku I3P Movie Agreements and no historical information of the Company and Youku Technology could be given to us in respect of the contingent allocation share, we consider that the other independent third parties could not have a better or more favourable term than that of in the Framework Agreement entered between the Company and Youku Technology, which we consider is fair and reasonable and is in the interest of the Company and the Shareholders as a whole. Regarding the alternative by using tiered pricing term under the Purchase Price for transferring rights of those not-yet-released movies or movies which have been released but the final box office is not yet

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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ascertained, we consider that it is in line with the normal market practise and the related pricing term is prevalent in the PRC online video stream industry that is fair and reasonable so far as the Independent Shareholders are concerned.

(2) *Provision of Other Commercial Development Services*

(i) *Provision of Advertisement Solicitation Services*

Youku Technology and/or any of its affiliates may entrust Huameng and/or any of its affiliates to provide all or part of the solicitation services for scheduled advertisements in relation to any Dramas and Movies to be broadcasted on Youku (the “Advertisement Solicitation Services”).

If Huameng and/or any of its affiliates succeed in introducing clients for placing scheduled advertisement for any Dramas and Movies on Youku, Huameng and/or any of its affiliates will be entitled to collect service fee from Youku Technology and/or any of its affiliates, which shall be calculated as follows:

Service fee = revenue to be generated from scheduled advertisement on Youku x allocation share

Where:

- the “allocation share” is to be reasonably determined by the parties with reference to factors, including but not limited to, the degree of difficulty in exploring business opportunities for scheduled advertisement on Youku and the impacts of the Dramas and Movies on the market. Where Huameng and/or any of its affiliates provide the production services for scheduled advertisement on Youku, Youku Technology and/or any of its affiliates shall reimburse Huameng and/or any of its affiliates for all the relevant costs, such as cost of shooting and production and taxes. An aggregate sum of the service fee and the relevant costs to be payable to Huameng and/or any of its affiliates shall be in a range between 20% and 50% of the revenue to be generated from scheduled advertisement on Youku. Based on the comparable cooperation with independent third parties in the past and/or market researches conducted by the Company, the Directors consider that such range is fair and reasonable.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have reviewed previous agreements entered between the Group and Youku Technology or other independent third parties of online video platforms. The service fee calculated herein, in particular, a total fee to be payable is ranged between 20% and 50% of the revenue derived from scheduled advertisement. Despite the amount of the allocation share would be determined on case-by-case basis and is subject to various factors and Director's views on the perspective of the market reaction on a particular movie during a specific period of time, the final payable amounts of the service fee always fell within the range between 20% and 50% of the revenue derived from advertisement incomes of the online video stream platform based on our review of the historical transaction of previous similar agreements provided by the Company. Therefore, we believe that the pricing term of service fee is in line with the market practice and such term is not only being used for Youku Technology and it also applies to other independent third parties. Therefore, we are of the view that the it is on the normal commercial terms, fair and reasonable.

(ii) *Provision of Commercial Development Solicitation Services*

Youku Technology and/or any of its affiliates may entrust Huameng and/or any of its affiliates to provide all or part of the solicitation services for the Commercial Development of Dramas and Movies on Youku (the "Commercial Development Solicitation Services").

If Huameng and/or any of its affiliates succeed in introducing clients for the Commercial Development of any Dramas and Movies on Youku, Huameng and/or any of its affiliates will be entitled to collect service fee from Youku Technology and/or any of its affiliates, which shall be calculated as follows:

Service fee = revenue to be generated from the Commercial Development x allocation share

Where:

- the "allocation share" is to be agreed by both parties with regard to such factors, including but not limited to, the number of clients, the estimated transaction amounts, impacts of the results of the Commercial Development on the Dramas and Movies, the production costs, the implementation costs, comparable prices from any independent third party, and the rating of the Dramas and Movies to be determined by the Scoring System and to be agreed upon mutual negotiation between the parties on a case-by-case basis. Where Huameng and/or any of its affiliates carry out the implementation work on the Commercial Development, Youku Technology and/or any of its affiliates shall reimburse Huameng and/or any of its affiliates for all the relevant costs, such as cost of shooting and production and taxes. An aggregate sum of the service fee and the relevant costs to be payable to Huameng and/or any of its affiliates shall be in a range between 20% and 50% of the revenue to be generated from the Commercial Development. Based on the comparable cooperation with independent third parties in the past and/or market researches conducted by the Company, the Directors consider that such range is fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have reviewed previous related agreements entered between the Group and Youku Technology or other independent third parties of online video platforms. The service fee calculated herein is on the same manner as compared with the service fee calculated for the provision of advertisement solicitation services. The implanted commercial advertisement during the broadcasting of the Dramas and Movies will normally use the same casts of the Dramas and Movies to attract brand cooperation for certain product placement which will be produced by the Company. Despite the amount of the allocation share would be determined on a case-by-case basis and is subject to various factors, Director's views and expectations in the perspective of the market reaction on a particular movie, the impact of that particular Commercial Development could be brought to a particular movie or drama as well as the rating of that particular movie or drama under the scoring system, the final payable amounts of the service fee always fell within the range between 20% and 50% of the revenue derived from the Commercial Development of either Youku Technology or other independent third parties of the online video stream platform based on our review of the historical transaction of previous similar agreements provided by the Company. Therefore, we believe that the pricing term of the service fees is in line with the market practice and such terms are not only being used with Youku Technology since it also applies to other independent third parties. Therefore, we are of the view that it is on the normal commercial terms, fair and reasonable.

### *(3) Provision of Distribution Services for TV Broadcasting Rights*

Youku Technology and/or any of its affiliates may entrust Huameng and/or any of its affiliates to arrange for transfer and/or authorization of the use of its TV Broadcasting Rights in any Dramas and Movies (the "Distribution Services"), whereby Huameng and/or any of its affiliates are entitled to collect from Youku Technology and/or any of its affiliates an agency fee which shall be calculated as follows:

Agency fee = revenue from distribution of the TV broadcasting rights x allocation share

Where:

- the "allocation share" shall be in a range between 5% and 15% of the revenue to be generated from distribution of the TV broadcasting rights and shall be reasonably determined by both parties having regard to factors, including but not limited to, the complexity of carrying out the Distribution Services, the estimated amount of revenue to be generated from the Distribution Services and the market practice. Youku Technology and/or any of its affiliates shall reimburse Huameng and/or any of its affiliates for any distribution fee paid by Huameng and/or any of its affiliates.

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We have reviewed several historical agreements entered exclusively between the Group and the independent third party of the TV station and consider that the calculation of the agency fee on the provision of Distribution Services for TV Broadcasting Rights is determined based on the same manner as the historical pricing term stated in the previous similar agreements, i.e. the revenue from distribution of the Broadcasting Rights of any dramas and movies is calculated based on the fee charged on each episode multiplied by the total number of episodes of the drama, while the allocation share is contingent on a case-by-case basis as we have discussed in the above. We consider that such term is on the normal commercial terms, fair and reasonable.

The Company considers that (a) the pricing formulas for calculating all the above fees (including the Purchase Price, the service fees and the agency fees chargeable under the Framework Agreement) and the factors to be taken into consideration in the pricing formulas are in line with the normal market practices; and (b) there should be no material difference between the pricing arrangements under the Framework Agreement and those with independent third parties, thereby ensuring the fees chargeable under the Framework Agreement being on normal commercial terms and no less favourable than similar transactions and arrangements with independent third parties.

#### **4. Payment terms**

All of the fees chargeable under the Framework Agreement shall be settled on a project basis pursuant to the payment terms set out in the specific agreements to be entered into between the parties for each project. Payment schedule shall be determined on case-by-case basis with reference to the type and the progress schedule of each project.

Based on our understanding of the Framework Agreement as well as from the review of various agreements entered previously between the Group and Youku Technology or independent third party, we concur with the view of the Company that the payment terms of each agreement is usually determined on a case-by-case basis and by instalment subject to the transaction schedule. Thus, we are of the view that the payment terms under the Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 5. Annual caps and basis of determination of annual caps

The expected annual maximum transaction amounts chargeable by Huameng and/or any of its affiliates to Youku Technology and/or any of its affiliates for the below transactions contemplated under the Framework Agreement for the three financial years ending on March 31, 2020, March 31, 2021 and March 31, 2022 are set out below:

	For the financial year ending		
	March 31, 2020	March 31, 2021	March 31, 2022
	(RMB'000)	(RMB'000)	(RMB'000)
1. Total revenue from the transfer of Copyrights of Target Dramas and Movies	550,000	550,000	550,000
2. Total fee for other commercial development services	10,000	10,000	10,000
3. Total agency fees for the Distribution Services	40,000	40,000	40,000
Total (i.e. Annual Cap):	600,000	600,000	600,000

We understand from the management of the Company that the Annual Caps are determined with reference to the annual business plans of the Group in relation to the production and distribution of the Dramas and Movies, having considered the following factors:

For the transfer of Copyrights of Target Dramas and Movies, the Group shall take into account of (a) the market demand for and trends of the Dramas and Movies production industry; (b) the historical transaction amounts (inclusive of tax) for the transfer of Copyrights of three Dramas and Movies for the year ended March 31, 2019 and Copyrights of five Dramas and Movies for the four months ended July 31, 2019 were approximately RMB235,750,000 and RMB118,336,000, respectively; (c) the expected number of Target Dramas and Movies for each of the three financial years ending March 31, 2020, March 31, 2021 and March 31, 2022 will not be more than 20 Target Dramas and Movies per year with an expected length not exceeding 12,000 minutes in aggregate; (d) the development and production pipeline, production budget, investment share, production crew of the dramas and movies; (e) the market influence of Dramas and Movies; (f) the box office target of movies; and (g) certain buffer of the corresponding maximum transaction amount of transfer of Copyrights of Target Dramas and Movies under the Annual Caps.

For the provision of other commercial development services, the Group shall take into account of (a) the expected number of advertisements and expected number of uses of rights attached to Dramas and Movies for commercial development purposes, assuming there being not more than eight projects in aggregate for each of the three financial years ending March 31, 2020, March 31, 2021 and March 31, 2022; (b) the expected aggregate sum of the estimated service fee and relevant costs receivable by Huameng and/or any of its affiliates in a range between 20% and 50% of the revenue to be generated from scheduled advertisement on Youku and/or the commercial development; and (c) certain buffer in the corresponding maximum transaction amount of the provision of other commercial development services under the Annual Caps.

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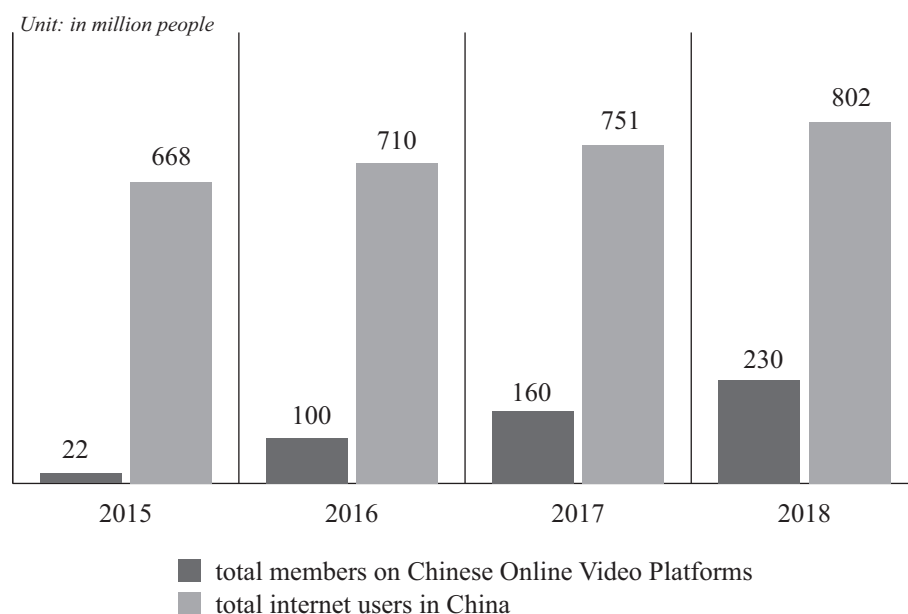
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For the provision of Distribution Services for TV Broadcasting Rights, the Group shall take into account of (a) the expected number of dramas under the Distribution Services, assuming there being not more than three dramas to be broadcasted via TV though the Distribution Services for each of the three financial years ending March 31, 2020, March 31, 2021 and March 31, 2022; (b) the expected tiers, the expected number of episodes and the expected price for each episode of the dramas to be broadcasted via TV through the Distribution Services and the number of television platforms for broadcasting will remain substantially the same as the current market practice; (c) the expected allocation share in a range of 5% and 15% of the revenue to be generated from distribution of the TV Broadcasting Rights; and (d) certain buffer in the corresponding maximum transaction amount of transfer of the provision of Distribution Services for TV Broadcasting Rights under the Annual Caps.

It is assumed that the business scale of the Dramas and Movies production and distribution of the Company in the next three years will remain relatively stable. Therefore, consistent Annual Caps were set in respect of (i) transfer of Copyrights of Target Dramas and Movies; (ii) provision of other commercial development services; and (iii) provision of Distribution Services for TV Broadcasting Rights.

### Our views:

According to the report entitled “Observations on the 2018 China Paid Video Market<sup>1</sup>” that announced by Entgroup, a leading Chinese consulting firm in connection with film and television programs including monitoring entertainment contents, consumer behaviors as well as provision of user profiles data, the number of paid members subscribing to China’s online video platforms will surpass 300 million during 2019. Below showed the total members on Chinese online video platforms compared with total internet users in China from 2015 to 2018:



Source: Entgroup

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<sup>1</sup><http://www.entgroup.cn/report/f/1118208.shtml>

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As can be seen from the above, the total paid members on Chinese online video platforms reached approximately 230 million members at the end of 2018, which has increased at a compound growth rate of 119% from 2015, a much faster pace than compound growth in the overall number of Chinese internet users of 6.28% over the same period. With over 800 million internet users in China at present, we consider that there is vast room for growth in the China's paying member video market and the paid content has already become a driving force in China's online entertainment market in 2018. In addition, according to China Internet Watch<sup>2</sup>, the market penetration of online video was 71.3% which increased by 4.2% year-on-year, while Tencent Video topped the ranking with a penetration rate of 47.6%, iQiyi to the next spot with a penetration of 43.6% and Youku Technology has 29.7% of the penetration rate. We understand that Youku Technology is investing in drama and sports content in its bid to win the battle for China's online viewing audiences, though it is facing off against Tencent Video and iQiyi in China's highly competitive online video market. However, while Youku Technology may be in third place at this moment, according to the latest quarterly report and annual report released by AGH, the viewers of Youku Technology were on the rise with average daily subscribers increasing by more than 180% in the last two years. We note that the growth is being driven by Youku's original content, which includes dramas and variety shows, such as "The Advisors Alliance", "Day and Night", "Street Dance of China" and "This is Fighting Robots", as well as its investment in sports, notably its streaming deal for the recent "FIFA World Cup". Over the past year, we think that Youku Technology has created a series of excellent dramas and variety shows and integrated the strength of Alibaba Group's ecosystem, hence proving the capability in content production.

Based on the 2018/2019 Annual Report, we have looked into the segment revenue and operating results of the Company for the year ended March 31, 2018 and 2019 respectively:

	<b>For the year ended</b>	
	<b>March 31</b>	
	<b>2019</b>	<b>2018</b>
	<b>(Audited)</b>	<b>(Audited)</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>
<b>Revenues</b>	3,033,844	2,775,441
Internet-based promotion and distribution	2,463,642	2,178,517
Content production	458,875	556,354
Integrated development	<u>111,327</u>	<u>40,570</u>
<b>Operating results</b>	<u><u>234,015</u></u>	<u><u>(560,515)</u></u>

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<sup>2</sup> <https://www.chinainternetwork.com/28911/top-online-video-apps-dec-2018/>

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The Group recorded revenue of approximately RMB3,034 million for the year ended March 31, 2019, representing an increase of 9% comparing with approximately RMB2,775 million for the year ended March 31, 2018, while it has approximately RMB234 million operating profits for the year ended March 31, 2019, compared with operating loss of approximately RMB561 million for the year ended March 31, 2018. Internet-based promotion and distribution is currently the Group's most important segment. Its main operations consist of internet-based ticketing and internet-based promotion and distribution. While internet-based ticketing comprises Tao Piao Piao (the Group's online ticketing platform) and Yunzhi (Group's new marketing platform for cinemas, aims to help them reduce cost, enhance efficiency, grow revenue and increase empowerment), internet-based promotion and distribution comprises Beacon (one-stop digital promotion and distribution platform), film promotion and distribution, and content co-investment. It is noted that the Group's internet-based promotion and distribution business segment recorded revenue of approximately RMB2,464 million for the year ended March 31, 2019 which represented an increased of 13% from approximately RMB2,179 million for the corresponding period of last year.

We understand from the Company that the Group analyzes its users' viewing habits, together with the comments and ratings that they give based on its accumulated advantage in big data. Relying on its insight about the classification of audience for film and TV productions and their preferences, the Group actively seeks and participates in the production of films featuring quality content. During the financial year of 2018–2019, the Group co-produced several popular films, recording an aggregated box office of nearly RMB20 billion from films that it produced/co-produced and distributed. Among these, six films recorded box office of over RMB1 billion, including “The Wandering Earth” (流浪地球)(box-office champion of the 2019 Chinese New Year holiday), “Dying to Survive” (我不是藥神), “Hello Mr. Billionaire” (西虹市首富)(two of the highest grossing films of the 2018 summer school holidays) and “Project Gutenberg” (無雙)(box-office champion of the 2018 National Day holiday), which grossed RMB4.6 billion, RMB3.1 billion, RMB2.5 billion and RMB1.3 billion, respectively.

From our perspective, we think that the online streaming of films and drama series has flourished in China in recent years, underlined by the astonishing rise of video streaming providers. A number of low-budget drama series which premiered online turned out to become nationwide blockbusters as well. Many popular online series are adaptations of best-selling Chinese novels which have amassed an enormous fanbase.

Whereas in assessing the fairness and reasonableness of the proposed annual caps under the Framework Agreement, we have also reviewed, among other things, (i) business plans of the Group in relation to the production and distribution of the Dramas and Movies from 2020 to 2022; (ii) the development and production pipeline, production budget, investment share of the Dramas and Movies from 2020 to 2022; (iii) the box office target of movies and contents to the corresponding fees of internet copyright provided by the Company; and (iv) the historical transaction amounts (inclusive of tax) for the transfer of Copyrights of three Dramas and Movies for the year ended March 31, 2019 and Copyrights of five Dramas and Movies for the four months ended July 31, 2019 were approximately RMB235,750,000 and RMB118,336,000 respectively. We understand that the number of co-produced movies and self-/ co-produced dramas by the Group for each of the financial years ending March 31, 2020, March 31, 2021 and March 31, 2022 would be no more than 20 per year with an expected length not exceeding 12,000 minutes in aggregate. Regarding the assumptions made to evaluate the projected revenue of each of the Target Dramas and Movies as to determine



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the Annual Caps for the next three years, we fully rely on the expertise and management's extensive experience in the entertainment and movie production industry based on the current pipeline and contemplated business development plan after taking into account of (i) market demand and trends, (ii) production budget including the filming cost, script cost, remuneration of the celebrities and production crew, (iii) the market influence of the contemplated Dramas and Movies, (iv) the expected box office of the target movie and (v) the potential of provision of other commercial development services. All the above various factors are unable for us to judge on ourselves to justify its fairness and reasonableness for the reasons that it requires specialty and professional knowledge within this business industry where assisted by big data analysis and artificial intelligence. We note that the Company has applied 20% of the total projected revenues of each year as to cap the annual cap under the Framework Agreement after taking into account that the various formulas of the Purchase Price and management's perspective on the market demand and trends of the dramas and movies production industry. As we have discussed in the above that each movie or drama has its uniqueness and the audience will have different perceptions towards different movie or drama resulting in different scoring. As a matter of fact, it is unlikely to have a confirmative projection on the revenues derived by each movie or drama considering its case-by-case basis. Based on our review of the list in respect of those committed movies and dramas (i.e. being named, under production, post production or under promotion) to be released in the next three years together with the budgets and expected incomes based on the knowledges and projection of the management of the Company, we acknowledged that 20% applied to determine the Annual Cap of each year under the Framework Agreement is a relatively conservative estimation as far as we concerned after taking into account that the future prospects and business developments of the Group, as well as those existing movies and dramas in the pipeline. We consider that using 20% to determine the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned. Nevertheless, based on our discussion with the management of the Company, the Company does not intend to make an aggressive projection under the Framework Agreement but a more practical estimation on the revenues in the perspective of those expected movies and dramas to be released. It is assumed that there will not be any material changes in the market demand for and trends of the Dramas and Movies production and distribution industry in the next three years. Therefore, consistent Annual Caps were set in respect of (i) transfer of Copyrights of Target Dramas and Movies; (ii) provision of other commercial development services; and (iii) provision of Distribution Services for TV Broadcasting Rights. In the event that the actual transaction amount as contemplated under the Framework Agreement exceeds the Annual Caps as a result of potential increase in the outputs of Dramas and Movies in the respective year, the Company will announce further in accordance with the Listing Rules.

In light of the above, we consider the proposed Annual Caps under the Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

### **6. Internal controls for the Group's continuing connected transactions**

We have discussed with the management of the Company about the internal control procedures adopted by the Group. We consider that the Company has adopted adequate internal control measures. The finance department of the Company will regularly collect information and monitor the actual transactions conducted with the relevant parties and the corresponding fees incurred under the Framework Agreement on a regular basis (i.e. six months) and will update such information to the chief financial officer of the Company. In particular:



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(i) *Transfer of Copyrights of Target Dramas and Movies*

Although the Company has no similar arrangements with independent third parties in determining the prices on the transfer of Copyrights of Target Dramas and Movies, the Company believes there should be no material difference between the pricing arrangements under the Framework Agreement and those with independent third parties.

The Company expects that Target Dramas and Movies will be jointly invested with independent third party investors. For the transfer of Copyrights of Target Dramas and Movies jointly invested with independent third party investors, Huameng and/or any of its affiliates shall form consensus with such investors on the purchase prices before entering into transactions with Youku Technology and/or any of its affiliates. The Company believes that such investors will give consent to the entering into of transactions under the Framework Agreement only if the purchase prices are good and reasonable as compared with the prevailing market prices for the same or similar transactions. Thus, it would ensure the pricing basis is to be in line with the market practice.

In addition, the Company will from time to time review the Purchase Price and the pricing basis by comparing them against the prices for comparable cooperation chargeable by the Group to any independent third party. The finance department of the Company will also from time to time conduct market researches, which may include obtaining the market information on the purchase price and/or pricing basis for movies and/or dramas that are sold by other market participants to other independent online platforms comparable to Youku Technology or to Youku Technology, to ensure that the Purchase Price and the pricing basis are in line with the normal market practices and no more favourable to Youku Technology and/or any of its similar conditions. It will also regularly collect information and monitor the actual transactions conducted with the relevant parties and the corresponding fees incurred under the Framework Agreement on a regular basis (i.e. six months) and will update such information to the chief financial officer of the Company.

(ii) *Provision of Other Commercial Development Services and Distribution Services for TV Broadcasting Rights*

The Company will from from time to time review the service fees/agency fees and the pricing basis by comparing them against the fees for comparable cooperation chargeable by the Group to any independent third party. The finance department of the Company will also from time to time conduct market researches, which may include obtaining the market information on the service fees/agency fees and/or the pricing basis for similar services provided by other market participants to other independent online platforms comparable to Youku Technology or to Youku Technology, to ensure that the service fees/agency fees and the pricing basis are in line with the normal market practices and no more favourable to Youku Technology and/or any of its affiliates than those available to any independent third party under the same or similar conditions. It will also regularly collect information and monitor the actual transactions conducted with the relevant parties and the corresponding fees incurred under the Framework Agreement on a regular basis (i.e. six months) and will update such information to the chief financial officer of the Company.

We understand that in any event, all of the above fees chargeable by Huameng and/or any of its affiliates to Youku Technology and/or any of its affiliates will not be more favourable to Youku Technology and/or any of its affiliates, nor are they less favourable to Huameng and/or any of its

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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affiliates, than those available to or from any independent third party under the same or similar conditions. The Group will from time to time review such fees by comparing them against the fees for comparable cooperation chargeable by the Group to any independent third party as to ensure that all the above fees are in line with the normal market practices.

In addition, the independent non-executive Directors (“**INEDs**”) will conduct annual independent review on the Company’s internal control measures and the transactions to ensure that the transactions are entered into through arm’s length negotiations and on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of the transactions. The auditor of the Company would also conduct an annual review on the pricing basis and the Annual Caps under the Framework Agreement. The Company will facilitate the provision of necessary information to its INEDs and auditor for the purpose of such review. Moreover, the Board will continue to review on a regular basis the Company’s internal control manner and its effectiveness.

Based on the above, we believe that the INEDs are able to supervise the internal control manner of the Company appropriately while the management of the Company would also actively cooperate with the related internal control measures and the review procedures with the INEDs, as well as facilitating the provision of any necessary updates or information to the INEDs. We consider that the Company has adopted adequate internal control measures to be able to comply with the Listing Rules requirements with respect to the supervision and monitoring of the Annual Caps of the transactions contemplated under the Framework Agreement.

### **7. Reasons for and benefits of entering into the Framework Agreement**

As stated in the letter from the Board, the entering into of the Framework Agreement enables the Group to fully utilize and integrate the resources within the Alibaba Group. It will also enable the Group to leverage its unique advantage derived from the entire industry chain and all ecosystems within, thereby unifying upstream and downstream operations, as well as online and offline channels throughout the industry chain with its strengths in relevant data and ecosystems. Furthermore, the Framework Agreement can also enhance the professionalism and exposure of the production team of the Group that can in turn assist the Group in producing quality Dramas and Movies throughout the upstream and downstream markets of Dramas and Movies and can increase the market penetration of the Group in the Dramas and Movies production industry.

As discussed in the section of “Our views” in the above, the total paid members on Chinese online video platforms has been rapidly growing over the years and the paid content has already become a driving force in China’s online entertainment market. We consider that the top-tier platforms producing popular content will be key drivers of market growth and they have laid a solid foundation for growth of paid memberships. In addition, online video platforms have created a new user-oriented business model through the implementation of a revenue-sharing model for the production of content, which encourages production studios to produce better quality programs and reducing costs for platforms (i.e. Yunzhi). Entering into the Framework Agreement enables more collaboration between the Company and Youku Technology in the field of films and drama production and distribution, by leveraging on Alibaba Group’s unique advantages and resources such as big data and artificial intelligence. We think that artificial intelligence is expected to play a larger role in personalized recommendations, as well as intelligent

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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creation, intelligent production and distribution, as well as the intelligent broadcasting. Therefore, we consider that the entering into of the Framework Agreement will enable Youku Technology and the Company to grab more market shares in this surging online video market.

In light of the above, we are of the view that entering into the Framework Agreement is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### RECOMMENDATION

In relation to the Framework Agreements, we have considered the above principal factors and reasons and, in particular, having taken into account the followings in arriving at our opinion:

- (a) the entering into the Framework Agreement falls within the ordinary and usual course of business of the Group and it is in the interest of the Company and the Shareholders as a whole;
- (b) the terms of the Framework Agreement are on normal commercial terms that are fair and reasonable; and
- (c) the proposed annual caps under the Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned;

Having considered the above, we are of the view that the terms the Framework Agreement are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group, and the proposed annual caps thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend the Independent Shareholders, to vote in favor of the ordinary resolution in relation to the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) to be proposed at the SGM.

Yours faithfully,  
For and on behalf of  
**Platinum Securities Company Limited**  
**Li Lan**  
*Director and Co-head of Corporate Finance*

*Mr. Li Lan is a licensed person registered with the Securities and Futures Commission and as responsible officer of Platinum Securities Company Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. Mr. Li Lan has over twelve years of experience in corporate finance industry.*

## 1. RESPONSIBILITY STATEMENTS

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### Directors and chief executive

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

### *Long positions in the Shares and underlying Shares of the Company*

Name of Director	Long/Short position	Nature of interest	Number of Ordinary shares held	Aggregate interests	Approximate percentage of aggregate interests to total issued share capital of the Company (Note)
Chang Yang	Long position	Beneficial Owner	200,000	200,000	0.001%

*Note:*

Based on a total of 26,631,472,510 ordinary shares of the Company in issue as at the Latest Practicable Date.

*Long positions in the shares and underlying shares of AGH, an associated corporation of the Company within the meaning of Part XV of the SFO*

Name of Director	Long/Short position	Nature of interest	Number of ordinary shares of AGH held	Derivatives		Aggregate interests	Approximate percentage of aggregate interests to total issued share capital of AGH
				Restricted share units (in number of underlying ordinary shares of AGH) (Note 3)	Others (in number of underlying ordinary shares of AGH) (Note 2)		
Fan Luyuan	Long position	Beneficial owner	-	1,266,672	-	7,852,192	0.038%
	Long position	Founder of a discretionary trust	1,066,664 (Note 4)	-	3,272,448 (Note 5)		
	Long position	Interest of children below 18 in a trust	2,246,408 (Note 6)	-	-		
Meng Jun	Long position	Beneficial owner	-	100,048	-	238,832	0.001%
	Long position	Interest of spouse	56,984	81,800	-		
Zhang Yu	Long position	Beneficial owner	130,352	327,936	-	458,288	0.002%
Chang Yang	Long position	Beneficial owner	28,624	157,000	-	185,624	0.001%
Tong Xiaomeng	Long position	Beneficial owner	941,176	-	-	941,176	0.005%
Johnny Chen	Long position	Beneficial owner	800	-	-	800	0.000%

*Notes:*

1. At the annual general meeting of AGH held on July 15, 2019, AGH's shareholders approved an increase in the number of AGH's authorized ordinary shares and a one-to-eight share subdivision of AGH's ordinary shares, including all outstanding options, restricted share units and share awards. A total of 20,828,253,544 ordinary shares of AGH were in issue as at the Latest Practicable Date.
2. As at the Latest Practicable Date, exchangeable ordinary shares ("EOS(s)") of PCIP I were exchangeable into ordinary shares of AGH based on a 1:8 exchange ratio in accordance with the articles of association of PCIP I.
3. As at the Latest Practicable Date, upon vesting of restricted share units, each restricted share unit represented eight ordinary shares of AGH. As such, as at the Latest Practicable Date:
  - (i) Mr. Fan, as a beneficial owner, held 158,334 restricted share units;
  - (ii) Mr. Meng, as a beneficial owner and through his interest of spouse, held 12,506 restricted share units and 10,225 restricted share units, respectively;
  - (iii) Ms. Zhang, as a beneficial owner, held 40,992 restricted share units; and

- (iv) Mr. Chang, as a beneficial owner, held 19,625 restricted share units.
4. As at the Latest Practicable Date, it represented 1,066,664 ordinary shares of AGH held by a discretionary trust of which Mr. Fan Luyuan was a founder who could influence how the trustee exercised his discretion.
5. As at the Latest Practicable Date, it represented 409,056 EOSs of PCIP I held by a discretionary trust of which Mr. Fan Luyuan was a founder who could influence how the trustee exercised his discretion.
6. As at the Latest Practicable Date, it represented 2,246,408 ordinary shares of AGH held by a trust, the beneficiaries of which included Mr. Fan Luyuan's children under the age of 18.

***Long positions in the shares and underlying shares of PCIP I, an associated corporation of the Company within the meaning of Part XV of the SFO***

<b>Name of Director</b>	<b>Long/Short position</b>	<b>Nature of interest</b>	<b>Number of ordinary shares of PCIP I held</b>	<b>Aggregate interests</b>	<b>Approximate percentage of aggregate interest of total issued exchangeable ordinary shares of PCIP I</b> <i>(Note 1)</i>
Fan Luyuan	Long position	Founder of a discretionary trust	409,056 <i>(Note 2)</i>	409,056	3.672%

*Notes:*

1. Based on a total of 11,141,372 EOSs of PCIP I in issue as at the Latest Practicable Date.
2. As at the Latest Practicable Date, it represented 409,056 EOSs of PCIP I held by a discretionary trust of which Mr. Fan Luyuan was a founder who could influence how the trustee exercised his discretion.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had, or was deemed to have, any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would fall to be required, (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**3. DISCLOSURE OF OTHER INTERESTS OF THE DIRECTORS****(a) Competing interests**

As at the Latest Practicable Date, none of the Directors and their respective close associates was considered to have an interest in any business which competed or was likely to compete or have any other conflict of interest, either directly or indirectly, with the business of the Group.

**(b) Interests in assets**

As at the Latest Practicable Date, none of the Directors had any interests, directly or indirectly, in any asset which had been acquired, disposed of by or leased to any member of the Group, or was proposed to be acquired, disposed of by or leased to any member of the Group, since March 31, 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up.

**(c) Interests in contracts or arrangements**

Save for any deemed or perceived material interests, due to their role as employees of AGH or its subsidiaries in (i) the agreements (including the Framework Agreement) relating to connected transactions and continuing connected transactions as disclosed in the announcements of the Company dated April 1 (regarding the advertising services only), 3, 11, 12 and 18, May 22 and 31, June 6 and 11 and August 6 and 8, 2019; (ii) the transactions or arrangements or contracts as disclosed in the section headed “Connected Transactions” in the Directors’ Report of the 2018/19 annual report of the Company; and (iii) the related party transactions as disclosed in note 32 to the consolidated financial statements contained in the 2018/19 annual report of the Company, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group and subsisting which was significant in relation to the business of the Group.

**(d) Service contracts**

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with any member of the Group which did not expire or was not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

#### 4. EXPERT AND CONSENT

The qualifications of the expert who has given opinions and advice in this circular are as follows:

<b>Name</b>	<b>Qualifications</b>
Platinum Securities Company Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreement and the transactions contemplated thereunder (including the Annual Caps)

The expert named above has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion herein of its letter, report and/or advice and the references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the expert named above did not have any direct or indirect shareholding in any member of the Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or any interests, directly or indirectly, in any asset which had been acquired, disposed of by or leased to any member of the Group, or was proposed to be acquired, disposed of by or leased to any member of the Group, since March 31, 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up.

#### 5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since March 31, 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

#### 6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (i.e. from 9:00 a.m. to 12:30 p.m. and from 2:00 p.m. to 6:00 p.m.) at the principal place of business of the Company in Hong Kong situated at 26/F Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong up to and including September 19, 2019:

- (a) the Framework Agreement;
- (b) the letter from the Board, the text of which is set out on pages 5 to 17 of this circular;
- (c) the letter from the Independent Board Committee, the text of which is set out on pages IBC-1 to IBC-2 of this circular;
- (d) the letter from the Independent Financial Adviser, the text of which is set out on pages IFA-1 to IFA-22 of this circular;



- (e) the written consent as referred to in the paragraph headed “4. EXPERT AND CONSENT” in this appendix; and
- (f) this circular.

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## NOTICE OF SGM

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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)

**NOTICE IS HEREBY GIVEN** that the special general meeting (the “Meeting”) of Alibaba Pictures Group Limited (the “Company”) will be held at 16/F., Block B, Wangjing, Ali Center, Building 4, Zone 4, Wangjing East Park, Chaoyang District, Beijing City, the People’s Republic of China on Thursday, September 19, 2019 immediately after the conclusion of the annual general meeting of the Company to be held at the same location on Thursday, September 19, 2019 at 10: 30 a.m. (or any adjournment thereof) for the purposes of considering and, if thought fit, passing (with or without amendments) the following ordinary resolution:

### ORDINARY RESOLUTION

**1. “THAT:**

- i. the Framework Agreement (as defined in the circular of the Company dated September 4, 2019 of which this notice forms part (the “Circular”)) (a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder, and the implementation thereof be and are hereby approved, confirmed and ratified;
- ii. the Annual Caps (as defined in the Circular) for the respective financial years ending on March 31, 2020, March 31, 2021 and March 31, 2022 be and are hereby approved; and
- iii. any one director of the Company (or one director and the secretary of the Company or any two directors of the Company or such other person (including a director of the Company) or persons as the Board may appoint, in the case of execution of documents under seal) be and is/ are hereby authorized for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with the implementation of and giving effect to the Framework Agreement and the transactions contemplated thereunder including the affixing of common seal thereon.”

By Order of the Board  
**Alibaba Pictures Group Limited**  
**Ng Lok Ming, William**  
*Company Secretary*

Hong Kong, September 4, 2019

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## NOTICE OF SGM

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*Registered office:*  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head Office and Principal Place  
of Business in Hong Kong:*  
26/F, Tower One, Times Square  
1 Matheson Street  
Causeway Bay  
Hong Kong

*Notes:*

1. Any member of the Company entitled to attend and vote at the Meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company (the “Shares”) may appoint more than one proxy to represent him to attend and vote on his behalf.
2. Where there are joint registered holders of any Share, any one of such holders may vote at the Meeting, either personally or by proxy, in respect of such Share as if he was solely entitled thereto; but if more than one of such joint registered holders are present at the Meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of the joint holding shall alone be entitled to vote in respect of such Share.
3. To be valid, the form of proxy, duly completed and signed in accordance with the instructions printed thereon, together with any power of attorney (if any) or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the office of the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time fixed for holding the Meeting or any adjournment thereof. The completion and delivery of the form of proxy will not preclude you from attending and voting at the Meeting if you so wish.
4. The record date for determining the entitlement of the shareholders of the Company to attend and vote at the Meeting will be Friday, September 13, 2019. All transfers of Shares accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration no later than 4:30 p.m. on Friday, September 13, 2019.
5. All voting by the members at the Meeting shall be conducted by way of poll.

*As at the date of this notice, 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.*