
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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.

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Alibaba Pictures Group Limited
阿里巴巴影業集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1060)

**CONTINUING CONNECTED TRANSACTIONS –
OPERATION SERVICES AGREEMENT
AND
NOTICE OF SGM**

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



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 Opus Capital, the Independent Financial Adviser, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders, is set out on pages IFA-1 to IFA-16 of this circular.

A notice convening the SGM via e-Meeting System at <http://spot-emeeting.tricor.hk> on Tuesday, March 29, 2022 at 4:00 p.m. (or any adjournment thereof) is set out on pages SGM-1 to SGM-3 of this circular.

If you are not able to attend the SGM via e-Meeting System, 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 via e-Meeting System at the SGM or any adjourned meeting if they so wish.

March 7, 2022

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DEFINITIONS

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

“associate(s)”, “close associate(s)”, “connected person(s)”, “controlling shareholder(s)”, and “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules
“affiliate(s)”	with respect to any designated entity, any other entity that controls, is controlled by, or is under common control with, such entity, either directly or indirectly through one or more intermediaries. For the purpose of this definition, “control” means the possession, directly or indirectly, of the power to influence an entity, whether by ownership or voting rights of securities, contract or otherwise
“AGH”	Alibaba Group Holding Limited, a company incorporated in the Cayman Islands, with its American depositary shares, each representing eight ordinary shares, listed on the New York Stock Exchange (stock symbol: BABA), and its ordinary shares listed on the Main Board of the Stock Exchange (stock code: 9988)
“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 February 8, 2022 made by the Company in relation to, among other things, the Operation Services Agreement and the transactions contemplated thereunder
“Annual Caps”	the expected annual maximum service fees payable by Beijing Damai and/or its affiliates to Zhonglian Shengshi for the transactions contemplated under the Operation Services Agreement for the three financial years ending March 31, 2023, March 31, 2024 and March 31, 2025, and each an “Annual Cap”
“Awarded Share(s)”	the awarded share(s) granted under the share award scheme adopted by the Company on December 30, 2016
“Beijing Damai”	北京大麥文化傳媒發展有限公司 (Beijing Damai Cultural Media Development Co., Ltd.*), a company established under the laws of the PRC with limited liability and a consolidated entity of AGH
“Board”	the board of Directors

DEFINITIONS

“Commencement Date”	April 1, 2022 or the date on which the Company fulfils and obtains all necessary requirements and approvals under the Listing Rules (including but not limited to the passing of the necessary resolution(s) by the Independent Shareholders at the SGM to approve the Operation Services Agreement and the transactions contemplated thereunder) for the Operation Services Agreement and the transactions contemplated thereunder, whichever is later
“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 (stock code: 1060)
“Directors”	the directors of the Company
“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
“Incentive Payment”	the incentive payment payable by Beijing Damai to Zhonglian Shengshi on the condition that Zhonglian Shengshi and/or its affiliates successfully assist(s) Beijing Damai in achieving its business objectives or financial targets for any specific financial year during the term of the Operation Services Agreement
“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, established to advise the Independent Shareholders on the Operation Services Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Independent Financial Adviser” or “Opus Capital”	Opus Capital 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 on the Operation Services Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Independent Shareholders”	the Shareholders (other than Ali CV and its associates) who are not prohibited under the Listing Rules from voting at the SGM to approve the Operation Services Agreement and the transactions contemplated thereunder (including the Annual Caps)

DEFINITIONS

“Latest Practicable Date”	March 1, 2022, 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
“Operation Services”	has the meaning as defined in the section headed “LETTER FROM THE BOARD – OPERATION SERVICES AGREEMENT – Subject Matter and Pricing Basis” of this circular
“Operation Services Agreement”	the operation services agreement dated February 8, 2022 entered into between Beijing Damai and Zhonglian Shengshi in relation to the provision of the Operation Services by Zhonglian Shengshi and/or its affiliates to Beijing Damai and/or its affiliates
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“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 Operation Services 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
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option(s)”	share option(s) granted under the share option scheme adopted by the Company on June 11, 2012
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhonglian Shengshi”	中聯盛世文化(北京)有限公司 (Zhonglian Shengshi Culture (Beijing) Co., Ltd.*), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent

* For identification purposes only

SPECIAL ARRANGEMENTS FOR THE SGM

All registered Shareholders will be able to join the SGM via the e-Meeting System. Our e-Meeting System can be accessed from any location with access to the internet via smartphone, tablet device or computer.

Through the e-Meeting System, our registered Shareholders will be able to view the live video broadcast, participate in voting and submit questions online. Login details and information will be included in our letters to registered Shareholders regarding the e-Meeting System.

The live broadcast can broaden the reach of the SGM to Shareholders under the current COVID-19 situation, or for other overseas Shareholders who are unable to attend the SGM.

HOW TO ATTEND AND VOTE

Shareholders can attend the SGM and exercise their voting rights in one of the following ways:

- (1) attend the SGM via the e-Meeting System which enables live streaming and interactive platform for submitting questions and voting online; or
- (2) appoint the chairman of the SGM or other person(s) as your proxy(ies) by providing their email address(es) for receiving the designated log-in username and password to attend and vote on your behalf via the e-Meeting System.

Your proxy's authority and instruction will be revoked if you attend and vote at the SGM via the e-Meeting System.

Non-registered Shareholders whose Shares are held in the Central Clearing and Settlement System through banks, brokers, custodians or Hong Kong Securities Clearing Company Limited may also be able to attend the SGM, vote and submit questions online. In this regard, they should consult directly with their banks, brokers or custodians (as the case may be) for the necessary arrangements.

Due to the constantly evolving COVID-19 pandemic situation in Hong Kong, the Company may be required to adopt further changes to the SGM arrangements at short notice. Shareholders are advised to check the websites of the Company (<http://www.alibabapictures.com>) and HKEX (www.hkexnews.hk) for the latest announcement and information relating to the SGM.

LETTER FROM THE BOARD



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. Li Jie (*President*)

Mr. Meng Jun (*Chief Financial Officer*)

Non-executive Director

Mr. Liu Zheng

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

March 7, 2022

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS – OPERATION SERVICES AGREEMENT

INTRODUCTION

Reference is made to the Announcement in which it was disclosed that on February 8, 2022, Zhonglian Shengshi, an indirect wholly-owned subsidiary of the Company, and Beijing Damai, a consolidated entity of AGH, entered into the Operation Services Agreement, pursuant to which Beijing Damai (for itself and its affiliates) agreed to engage Zhonglian Shengshi and/or its affiliates to exclusively provide the Operation Services to Beijing Damai and/or its affiliates for a term commencing from the Commencement Date and ending on March 31, 2025.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among others, (i) further details of the Operation Services 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 Operation Services 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 Operation Services Agreement and the transactions contemplated thereunder (including the Annual Caps); and (iv) a notice of SGM.

THE OPERATION SERVICES AGREEMENT

Date: February 8, 2022

Parties: (1) Zhonglian Shengshi, an indirect wholly-owned subsidiary of the Company; and
(2) Beijing Damai, a consolidated entity of AGH.

Term

The period commencing from the Commencement Date and ending on March 31, 2025.

Subject Matter and Pricing Basis

Pursuant to the Operation Services Agreement, Beijing Damai (for itself and its affiliates) agreed to engage Zhonglian Shengshi and/or its affiliates to exclusively provide a full range of operation services, including (i) entering into business cooperation agreements (“Business Agreements”) with different live performance programme organizers, performance venue owners, exhibition organizers, other event organizers or related working parties for and on behalf of Beijing Damai and/or its affiliates; (ii) exercising rights (including rights to defend or initiate litigation proceedings or arbitration in the name of Beijing Damai and/or its affiliates) and fulfilling obligations (including but not limited to the provision of ticketing system and ticketing services) for and on behalf of Beijing Damai and/or its affiliates under the Business Agreements; (iii) managing, maintaining, developing or upgrading the ticketing system and sales channels operated by Beijing Damai, its affiliates or independent working parties; and (iv) providing other administrative management services and personnel support as required by Beijing Damai and/or its affiliates (collectively, the “Operation Services”), to Beijing Damai and/or its affiliates.

Pursuant to the Operation Services Agreement, the service fees payable by Beijing Damai and/or its affiliates to Zhonglian Shengshi under the Operation Services Agreement shall be calculated based on the actual operating costs and expenses incurred by Zhonglian Shengshi and/or its affiliates in providing the Operation Services plus a premium of 15%. The actual operating costs and expenses incurred by Zhonglian Shengshi and/or its affiliates include labour costs, expenses for promotion and marketing activities, distribution costs and expenses, cost for on-site service facilities, ticketing services consumables and relevant technical support and development, personnel training and other operating costs. The 15% premium set out above is determined on an arm’s length negotiation between the parties with reference to the market research conducted by the Company on the service fees charged by comparable listed companies which have adopted a cost-plus pricing basis for provision of similar services such as information technology-related human resources services, administrative management services, operation services and business development services.

LETTER FROM THE BOARD

In addition, pursuant to the Operation Services Agreement, Beijing Damai and Zhonglian Shengshi agreed that if Zhonglian Shengshi and/or its affiliates successfully assist(s) Beijing Damai and its affiliates in achieving their business objectives or financial targets for a specific financial year during the term of the provision of the Operation Services, Zhonglian Shengshi shall be entitled to an Incentive Payment in the amount equivalent to 50% of the sum in excess of the targeted profit before interests and taxes of Beijing Damai and its affiliates for the corresponding financial year.

Payment terms

The service fees for the transactions contemplated under the Operation Services Agreement shall be settled by Beijing Damai and/or its affiliates in cash on a monthly basis. Within 5 working days upon confirmation by Beijing Damai and/or its affiliates of the service fees of Zhonglian Shengshi for the previous month, Zhonglian Shengshi shall issue to Beijing Damai and/or its affiliates invoices for the corresponding types of service fees and amounts and Beijing Damai and/or its affiliate shall pay the service fees to Zhonglian Shengshi within 5 working days upon receipt of the invoices issued by Zhonglian Shengshi.

The amount of the Incentive Payment (if any) for any specific financial year during the term of the Operation Services Agreement shall be determined by the parties within the first calendar month of the following financial year. Within 7 working days upon confirmation by the parties of such amount (if any), Zhonglian Shengshi shall issue to Beijing Damai and/or its affiliates the relevant invoice and Beijing Damai shall settle the Incentive Payment in cash within 7 working days upon receipt of the invoice issued by Zhonglian Shengshi.

ANNUAL CAPS AND BASIS OF DETERMINATION OF ANNUAL CAPS

The Annual Caps for the total service fees payable by Beijing Damai and/or its affiliates to Zhonglian Shengshi with respect to the transactions contemplated under the Operation Services Agreement for the three financial years ending March 31, 2023, 2024 and 2025 are fixed at RMB450,000,000, RMB450,000,000 and RMB450,000,000, respectively.

The Annual Caps are determined with reference to (i) the estimated annual demand for the Operation Services during the term of the Operation Services Agreement; (ii) the estimated direct and indirect costs for and the estimated profit from the provision of the Operation Services; (iii) the estimated Incentive Payment provided that Zhonglian Shengshi and/or its affiliates successfully assists Beijing Damai and its affiliates in achieving their business objectives or financial targets for a specific financial year during the term of the provision of the Operation Services; and (iv) a certain percentage of buffer for potential increment in the transaction volume year-on-year.

LETTER FROM THE BOARD

INTERNAL CONTROL MEASURES

In order to ensure that (i) the terms of the Operation Services Agreement and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable; (ii) the service fees for the transactions contemplated under the Operation Services Agreement are not less favourable to Zhonglian Shengshi than those offered to independent third parties; and (iii) the Annual Caps will not be exceeded, the Group has adopted the following measures:

The Company will review the service fees and the pricing basis annually by comparing them against the service fees and the pricing basis for comparable services provided or received by the Group to or from any independent third party. The finance department of the Company will also conduct market research annually, which may include obtaining the market information on service fees and/or pricing basis with respect to the same or similar transactions entered into between other market participants and other independent third parties, to ensure that the service fees and the pricing basis are in line with the normal market practices and no more favourable to the other relevant contracting parties of the respective agreements 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 Operation Services Agreements regularly and will update such information to the chief financial officer of the Company.

In addition, 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 will also conduct an annual review on the pricing basis and the Annual Caps under the Operation Services 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 regularly the Company's internal control system and its effectiveness.

Based on the control measures set out above, the Company considers that: (a) the factors to be taken into consideration in calculating all the above services fees are in line with the normal market practices; and (b) there should be no material difference between the pricing arrangements under the Operation Services Agreement and those with independent third parties, thereby ensuring that the service fees are on normal commercial terms after arm's length negotiations among the relevant parties to the agreements, and not more favourable to the other relevant contracting parties to the respective agreements, nor any less favourable to the Company and/or any of its affiliates, than those available to or from independent third parties under the same or similar conditions.

REASONS FOR AND BENEFITS OF ENTERING INTO THE OPERATION SERVICES AGREEMENT

In view of the fact that the business layout of the Group has extended from content production to pan-entertainment, and that the Group has a wealth of technology foundation, content production capabilities, IP derivative development experience and a broad customer base, the Group believes that the entering into of the Operation Services Agreement is conducive to both parties to promote resources synergy, improve the operational efficiency, expand customer base, and create new business opportunities.

LETTER FROM THE BOARD

In addition, in light of the growth potential of offline entertainment in the PRC, the business synergy of movie and live performance and the better mentality of content consumption users, both parties will further strengthen the collaboration efficiently upon the entering into of the Operation Services Agreement in the future.

Having reviewed the terms of the Operation Services Agreement, the Directors (including the independent non-executive Directors whose opinion is set forth in the “LETTER FROM THE INDEPENDENT BOARD COMMITTEE” in this circular after considering the advice and recommendation of the Independent Financial Adviser) are of the view that the terms of the Operation Services Agreement and the Annual Caps are fair and reasonable, the transactions contemplated thereunder are on normal commercial terms and that the entering into of the Operation Services Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

As (i) each of Mr. Fan Luyuan, Mr. Meng Jun and Mr. Liu Zheng is an employee of AGH or its subsidiaries, and (ii) Mr. Li Jie is currently taking up a management role in a subsidiary of AGH, they are deemed or may be perceived to have a material interest in the Operation Services Agreement and the transactions contemplated thereunder (including the Annual Caps). As such, each of Mr. Fan Luyuan, Mr. Meng Jun, Mr. Liu Zheng and Mr. Li Jie has abstained from voting on the relevant resolution(s) of the Board in relation to the Operation Services Agreement and the transactions contemplated thereunder (including the Annual Caps). Save as disclosed above, none of the other Directors has a material interest in the Operation Services Agreement and the transactions contemplated thereunder (including the Annual Caps), and therefore none of them has abstained from voting on the said resolution(s) passed by the Board.

INFORMATION ON THE COMPANY AND ZHONGLIAN SHENGSHI

The Company is listed on the Stock Exchange (stock code: 1060). 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: content, technology and IP merchandising and commercialization. These segments encompass (i) investment and production and distribution of entertainment content, such as film and drama series, both domestically and internationally; (ii) digitalization in the entertainment sector, including platform ticketing, digital intelligence business and other technology products; and (iii) centered around content IP, provision of professional services such as IP development and operation, and production and distribution of IP derivatives, respectively.

Zhonglian Shengshi, being a company established under the laws of the PRC, is an indirect wholly-owned subsidiary of the Company. It serves mainly administrative management or support and investment holding purposes for the Group.

INFORMATION ON AGH, ALIBABA GROUP AND BEIJING DAMAI

AGH is a company incorporated in the Cayman Islands with its American depository shares, each representing eight ordinary shares, listed on the New York Stock Exchange (stock symbol: BABA), and its ordinary shares listed on the Main Board of the Stock Exchange (stock code: 9988).

LETTER FROM THE BOARD

Alibaba Group's mission is to make it easy to do business anywhere. Alibaba Group aims to build the future infrastructure of commerce and envisions that its customers will meet, work and live at Alibaba, and that it will be a good company that will last for 102 years. Alibaba Group's businesses are comprised of China commerce, international commerce, local consumer services, Cainiao logistics services, cloud services, digital media and entertainment, and innovation initiatives and others.

Beijing Damai, being a company established under the laws of the PRC, is a consolidated entity of AGH. Beijing Damai, together with its affiliates, is an integrated service provider in the live performance industry, whose businesses include ticketing services, on-site services, digital intelligence management services for the live performance industry, content development, investment and production of live performance, promotion and distribution services and commercialization services.

LISTING RULES IMPLICATIONS

Beijing Damai is a consolidated entity of AGH. AGH is the ultimate sole shareholder of Ali CV, which is a controlling shareholder and a connected person of the Company holding approximately 50.26% of the issued share capital of the Company as at the Latest Practicable Date. Accordingly, Beijing Damai is an associate of Ali CV and hence a connected person of the Company. The entering into of the Operation Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the highest Annual Cap exceed(s) 5%, the entering into of the Operation Services Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, annual review 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-3 of this circular. The SGM will be convened for the purpose of considering and, if thought fit, approving the Operation Services 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 50.26% of the total issued share capital of the Company. Ali CV and its associates will be required to abstain from voting at the SGM.

Further, as each of Mr. Fan Luyuan and Mr. Meng Jun is an employee of AGH or its subsidiaries, and is also a Director and a Shareholder, and Mr. Li Jie is currently taking up a management role in a subsidiary of AGH, and is also a Director and a Shareholder, they will voluntarily abstain from voting at the SGM. As at the Latest Practicable Date, Mr. Fan Luyuan, Mr. Meng Jun and Mr. Li Jie were respectively interested in 245,000 Shares, 46,447 Shares and 2,304,723 Shares, representing approximately 0.00%, 0.00% and 0.01% of the total issued share capital of the Company. Based on the information, belief and knowledge of the Company, save as disclosed herein, as at the Latest Practicable Date, no other Shareholder has any material interest in the Operation Services Agreement and the transactions contemplated thereunder (including the Annual Caps) and therefore no other Shareholder is required to abstain from voting at the SGM.

LETTER FROM THE BOARD

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 via e-Meeting System, 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 via e-Meeting System 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 via e-Meeting System at the SGM will be Wednesday, March 23, 2022. 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 Wednesday, March 23, 2022.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders on the Operation Services Agreement and the transactions contemplated thereunder (including the Annual Caps). The Company has appointed Opus Capital 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 Operation Services 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 Operation Services 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 section headed "LETTER FROM THE INDEPENDENT BOARD COMMITTEE" in this circular after considering the advice and recommendation of the Independent Financial Adviser), is of the view that the terms of the Operation Services Agreement and the Annual Caps are fair and reasonable, the transactions contemplated thereunder are on normal commercial terms and that the entering into of the Operation Services Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. The Board recommends the Independent Shareholders to vote in favour of the ordinary resolution relating thereto at the SGM.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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



March 7, 2022

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS – OPERATION SERVICES AGREEMENT

We refer to the circular issued by the Company to its Shareholders dated March 7, 2022 (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 Operation Services Agreement and the Annual Caps are fair and reasonable, the transactions contemplated thereunder are on normal commercial terms and that the entering into of the Operation Services Agreement and the transactions contemplated thereunder are 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 Operation Services Agreement and the transactions contemplated thereunder (including the Annual Caps). Opus Capital 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 to 12 of the Circular and a letter of advice from Opus Capital, as set out on pages IFA-1 to IFA-16 of the Circular, both of which provide details of the Operation Services Agreement and the transactions contemplated thereunder (including the Annual Caps).

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Operation Services Agreement and the transactions contemplated thereunder (including the Annual Caps), the advice and recommendation from Opus Capital and the relevant information contained in the letter from the Board, we are of the opinion that the terms of the Operation Services Agreement and the Annual Caps are fair and reasonable, the transactions contemplated thereunder are on normal commercial terms and that the entering into of the Operation Services Agreement and the transactions contemplated thereunder are 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 ordinary resolution to be proposed at the SGM to approve the Operation Services 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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Opus Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Operation Services Agreement and the transactions contemplated thereunder (including the Annual Caps) for the purpose of inclusion in this circular.



18th Floor, Fung House
19-20 Connaught Road Central
Central, Hong Kong

March 7, 2022

*To: the Independent Board Committee and the Independent Shareholders of
Alibaba Pictures Group Limited*

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS OPERATION SERVICES AGREEMENT

INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Operation Services Agreement and the transactions contemplated thereunder (including the Annual Caps) for the three financial years ending March 31, 2023, 2024 and 2025, details of which are set out in the letter from the Board (the "Letter from the Board") contained in the circular of the Company dated March 7, 2022 (the "Circular"), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

THE OPERATION SERVICES AGREEMENT

Reference is made to the Announcement in which it was disclosed on February 8, 2022, Zhonglian Shengshi, an indirect wholly-owned subsidiary of the Company, and Beijing Damai, a consolidated entity of AGH, entered into the Operation Services Agreement, pursuant to which Beijing Damai (for itself and its affiliates) agreed to engage Zhonglian Shengshi and/or its affiliates to exclusively provide the Operation Services to Beijing Damai and/or its affiliates for a term commencing from the Commencement Date and ending on March 31, 2025.

Beijing Damai is a consolidated entity of AGH. AGH is the ultimate sole shareholder of Ali CV, which is a controlling shareholder and a connected person of the Company holding approximately 50.26% of the issued share capital of the Company as at the Latest Practicable Date. Accordingly, Beijing Damai is an associate of Ali CV and hence a connected person of the Company. The entering into of the Operation Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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Since one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the highest Annual Cap exceed(s) 5%, the entering into of the Operation Services Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The SGM will be convened for the purpose of considering and, if thought fit, approving the Operation Services 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 50.26% of the total issued share capital of the Company. Ali CV and its associates will be required to abstain from voting at the SGM.

Further, as each of Mr. Fan Luyuan and Mr. Meng Jun is an employee of AGH or its subsidiaries, and is also a Director and a Shareholder, and Mr. Li Jie is currently taking up a management role in a subsidiary of AGH, and is also a Director and a Shareholder, they will voluntarily abstain from voting at the SGM. As at the Latest Practicable Date, Mr. Fan Luyuan, Mr. Meng Jun and Mr. Li Jie were respectively interested in 245,000 Shares, 46,447 Shares and 2,304,723 Shares, representing approximately 0.00%, 0.00% and 0.01% of the total issued share capital of the Company. Based on the information, belief and knowledge of the Company, save as disclosed herein, as at the Latest Practicable Date, no other Shareholder has any material interest in the Operation Services Agreement and the transactions contemplated thereunder (including the Annual Caps) and therefore no other Shareholder is required to abstain from voting at the SGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Song Lixin, Mr. Tong Xiaomeng and Mr. Johnny Chen, has been established by the Company for the purpose of advising the Independent Shareholders on the Operation Services Agreement and the transactions contemplated thereunder (including the Annual Caps). We have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in the same regard.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OUR INDEPENDENCE

We were appointed as the independent financial adviser to advise the independent board committee and the independent shareholders of (i) the Company in respect of the revision of certain terms for certain continuing connected transactions, details of such transaction are set out in the circular of the Company dated January 21, 2021; (ii) Alibaba Health Information Technology Limited (stock code: 241) (“Alibaba Health”), a listed subsidiary of AGH, in respect of (a) the revision of an existing annual cap, details of such transaction are set out in the circular of Alibaba Health dated February 8, 2021; (b) the renewal of certain continuing connected transactions, details of such transaction are set out in the circular of Alibaba Health dated March 8, 2021 and (c) the renewal of certain continuing connected transactions, details of such transaction are set out in the announcement of Alibaba Health dated February 4, 2021; and (iii) AGTech Holdings Limited (stock code: 8279) (“AGTech”), a listed subsidiary of AGH, in respect of certain continuing connected transactions, details of such transaction are set out in the circular of AGTech dated October 29, 2021 (collectively, the “Past Appointments”). The Past Appointments are independent of this current appointment with the Company.

As at the Latest Practicable Date, save for the Past Appointments, we did not have any relationship with, or interest in, the Company, Zhonglian Shengshi, AGH, Beijing Damai or any other parties that could reasonably be regarded as relevant to our independence. During the two years immediately prior to this letter, save for the Past Appointments: (i) we have not acted in the capacity as a financial adviser or as an independent financial adviser to the Company; and (ii) we (including all the associates of Opus Capital) did not have any relationship with the Company. Apart from normal independent financial advisory fees paid or payable to us in connection with the Past Appointments and the current appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Company, Zhonglian Shengshi, AGH, Beijing Damai or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, among others:

- (i) the Operation Services Agreement;
- (ii) the Announcement;
- (iii) the Company’s annual report for the financial year ended March 31, 2021 (the “2020/21 Annual Report”);
- (iv) the Company’s interim report for the six months ended September 30, 2021 (the “2021/22 Interim Report”); and
- (v) other information as set out in the Circular.

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We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Group (collectively, the “Management”). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete and not misleading or deceptive in all material respects at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the SGM.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We considered that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Operation Services Agreement and the transactions contemplated thereunder (including the Annual Caps), and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes without our prior written consent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 and reasons:

1. Information on the parties

The Company

The Company is listed on the Stock Exchange (stock code: 1060). 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: content, technology, and IP merchandising and commercialization. These segments encompass (i) investment in and production and distribution of entertainment content, such as film and drama series, both domestically and internationally; (ii) digitalization in the entertainment sector, including platform ticketing, digital intelligence business and other technology products; and (iii) centered around content IP, provision of professional services such as IP development and operation, and production and distribution of IP derivatives, respectively.

Zhonglian Shengshi

Zhonglian Shengshi, being a company established under the laws of the PRC, is an indirect wholly-owned subsidiary of the Company. It serves mainly administrative management or support and investment holding purposes for the Group.

AGH and Alibaba Group

AGH is a company incorporated in the Cayman Islands, with its American depositary shares, each representing eight ordinary shares, listed on the New York Stock Exchange (stock symbol: BABA), and its ordinary shares listed on the Main Board of the Stock Exchange (stock code: 9988).

Alibaba Group's mission is to make it easy to do business anywhere. Alibaba Group aims to build the future infrastructure of commerce and envisions that its customers will meet, work and live at Alibaba, and that it will be a good company that will last for 102 years. Alibaba Group's businesses are comprised of China commerce, international commerce, local consumer services, Cainiao logistics services, cloud services, digital media and entertainment, and innovation initiatives and others.

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Beijing Damai

Beijing Damai, being a company established under the laws of the PRC, is a consolidated entity of AGH. Beijing Damai, together with its affiliates, is an integrated service provider in the live performance industry, whose businesses include ticketing services, on-site services, digital intelligence management services for the live performance industry, content development, investment and production of live performance, promotion and distribution services and commercialization services.

2. Reasons for and benefits of entering into the Operation Services Agreement

As stated in the Letter from the Board, in view of the fact that the business layout of the Group has extended from content production to pan-entertainment, and that the Group has a wealth of technology foundation, content production capabilities, IP derivative development experience and a broad customer base, the Group believes that the entering into of the Operation Services Agreement is conducive to both parties to promote resources synergy, improve the operational efficiency, expand customer base, and create new business opportunities. In addition, in light of the growth potential of offline entertainment in the PRC, the business synergy of movie and live performance and the better mentality of content consumption users, both parties will further strengthen the collaboration efficiency upon the entering into of the Operation Services Agreement in the future.

As set out in both the 2020/21 Annual Report and the 2021/22 Interim Report, the COVID-19 pandemic (the “Pandemic”) brought unprecedented challenges to the film industry. The Group has, after years of development and deployment, grown into a company that penetrates the pan-entertainment industry, relying on content, technology, IP commercialization and pop retail business as the engines to drive its growth. Alongside the continued growth of China’s economy, the Group has persevered with its dual-drive strategy featuring “content + technology”, centering on content and building on the strengths of its technology platform to explore multiple business models, with a view to expanding the boundaries of the film and television industry by unifying upstream and downstream operations, as well as online and offline channels throughout the industry chain. The Group has also expressed the desire to continue to work closely with the Alibaba ecosystem (阿里巴巴生態體系) and leverage its unique advantages in content and technology to enable diversified offerings based on content, time and space, with an aim to benefit more market players while supporting business growth.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Technology business is an important part of the Group's strategy and an essential force for the construction of pan-entertainment infrastructure that promotes the digital upgrade of the entertainment sector. The segment mainly comprises platform ticketing, digitalization business and others. This particular segment stood out to be the biggest contributor of the Group's segment results during the financial year ended March 31, 2021, and the six months ended September 30, 2021, which accounted for approximately 47.7% and 53.1%, respectively, of the Group's segment results of the relevant period. As set out in the 2021/22 Interim Report, during the six months ended September 30, 2021, benefiting from the recovery of film market from impact of the Pandemic, the technology segment recorded revenue of approximately RMB567.0 million, representing an increase of approximately 157.1% as compared with approximately RMB220.5 million for the corresponding period. The segment result of the technology segment for the six months ended September 30, 2021, was approximately RMB228.9 million which was equivalent of an increase of 127.3% year-over-year.

We further noted from the 2021/22 Interim Report that the Group, during the first half of the financial year ending March 31, 2022, Tao Piao Piao, the "to-consumer" platform ticketing business of the Group, launched the "Taomai VIP" (淘麥VIP) membership system in collaboration with Damai, which connected movie and live performance scenarios to provide more services and benefits to users. The entering into of the Operation Services Agreement and the transactions contemplated thereunder can be seen as an extension of such collaboration where the Group and Beijing Damai to further strengthen its collaboration which is broadly in line with the Group's preference to continue to work closely with the Alibaba ecosystem (阿里巴巴生態體系).

Based on the above, we consider that the entering into of the Operation Services Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Principal terms of the Operation Services Agreement

Set out below are the principal terms of the Operation Services Agreement.

Date: February 8, 2022

Parties: (1) Zhonglian Shengshi, an indirect wholly-owned subsidiary of the Company; and
(2) Beijing Damai, a consolidated entity of AGH.

Term: The period commencing from the Commencement Date and ending on March 31, 2025.

Subject Matter and Pricing Basis

Pursuant to the Operation Services Agreement, Beijing Damai (for itself and its affiliates) agreed to engage Zhonglian Shengshi and/or its affiliates to exclusively provide a full range of operation services, including (i) entering into business cooperation agreements (“Business Agreements”) with different live performance programme organizers, performance venue owners, exhibition organizers, other event organizers or related working parties for and on behalf of Beijing Damai and/or its affiliates; (ii) exercising rights (including rights to defend or initiate litigation proceedings or arbitration in the name of Beijing Damai and/or its affiliates) and fulfilling obligations (including but not limited to the provision of ticketing system and ticketing services) for and on behalf of Beijing Damai and/or its affiliates under the Business Agreements; (iii) managing, maintaining, developing or upgrading the ticketing system and sales channels operated by Beijing Damai, its affiliates or independent working parties; and (iv) providing other administrative management services and personnel support as required by Beijing Damai and/or its affiliates (collectively, the “Operation Services”), to Beijing Damai and/or its affiliates.

Pursuant to the Operation Services Agreement, the service fees payable by Beijing Damai and/or its affiliates to Zhonglian Shengshi under the Operation Services Agreement shall be calculated based on the actual operating costs and expenses incurred by Zhonglian Shengshi and/or its affiliates in providing the Operation Services plus a premium of 15%. The actual operating costs and expenses incurred by Zhonglian Shengshi and/or its affiliates include labour costs, expenses for promotion and marketing activities, distribution costs and expenses, costs for on-site service facilities, ticketing services consumables and relevant technical support and development, personnel training and other operating costs. The 15% premium set out above is determined on an arm’s length negotiation between the parties with reference to the market research conducted by the Company on the service fees charged by comparable listed companies which have adopted a cost-plus pricing basis for provision of similar services such as information technology-related human resources services, administrative management services, operation services and business development services.

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In addition, pursuant to the Operation Services Agreement, Beijing Damai and Zhonglian Shengshi agreed that if Zhonglian Shengshi and/or its affiliates successfully assist(s) Beijing Damai and its affiliates in achieving their business objectives or financial targets for a specific financial year during the term of the provision of the Operation Services, Zhonglian Shengshi shall be entitled to an Incentive Payment in the amount equivalent to 50% of the sum in excess of the targeted profit before interests and taxes of Beijing Damai and its affiliates for the corresponding financial year.

Payment terms

The service fees for the transactions contemplated under the Operation Services Agreement shall be settled by Beijing Damai and/or its affiliates in cash on a monthly basis. Within 5 working days upon confirmation by Beijing Damai and/or its affiliates of the service fees of Zhonglian Shengshi for the previous month, Zhonglian Shengshi shall issue to Beijing Damai and/or its affiliates invoices for the corresponding types of service fees and amounts and Beijing Damai and/or its affiliate shall pay the service fees to Zhonglian Shengshi within 5 working days upon receipt of the invoices issued by Zhonglian Shengshi.

The amount of the Incentive Payment (if any) for any specific financial year during the term of the Operation Services Agreement shall be determined by the parties within the first calendar month of the following financial year. Within 7 working days upon confirmation by the parties of such amount (if any), Zhonglian Shengshi shall issue to Beijing Damai and/or its affiliates the relevant invoice and Beijing Damai shall settle the Incentive Payment in cash within 7 working days upon receipt of the invoice issued by Zhonglian Shengshi.

Our assessment

As stated in the Letter from the Board, the service fees payable by Beijing Damai and/or its affiliates to Zhonglian Shengshi under the Operation Services Agreement shall be calculated based on the actual operating costs and expenses incurred by Zhonglian Shengshi in providing the Operation Services plus a premium (the “Cost-Plus Basis”) of 15%. The actual operating costs and expenses incurred by Zhonglian Shengshi include labour costs, expenses for promotion and marketing activities, distribution costs and expenses, on-site service facilities, ticketing services consumables and relevant technical support and development, personnel training and other operating costs. Zhonglian Shengshi would also be entitled to an Incentive Payment should it and/or its affiliates successfully assist(s) Beijing Damai and its affiliates in achieving their business objectives or financial targets for a specific financial year during the term of the provision of the Operation Services, which is equivalent to 50% of the sum in excess of the targeted profit before interests and taxes of Beijing Damai and its affiliates for the corresponding financial year.

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To assess whether the adoption of the Cost-Plus Basis, the 15% premium of the Cost-Plus Basis and Incentive Payment (the “Pricing Basis”) adopted in the Operation Services Agreement is on normal commercial terms and fair and reasonable, we have, on a best effort basis, conducted research on the website of the Stock Exchange and identified a list of technology companies (the “Comparable Companies”) which had entered into framework agreements (the “Transaction Comparable(s)”) in relation to the provision of operations and/or administrative services which are similar in nature to the Operation Services by adopting the following selection criteria:

- (i) the Comparable Companies are constituents of the Hang Seng TECH Index (the “HSTI”);
- (ii) the Transaction Comparables have been disclosed in the recently published annual reports or the prospectuses (as the case may be) of the Comparable Companies; and
- (iii) the nature of services under the Transaction Comparables was information technology-related.

We adopted the above relevant selection criteria as we have considered that: (i) the Operation Services involve information technology-related services; (ii) the technology segment is one of the major business segments of the Group; and (iii) the constituents of the HSTI represent the 30 largest technology companies listed in Hong Kong that have high business exposure to technology themes.

Based on the above selection criteria, we have exhaustively identified seven Transaction Comparables with details as follows:

#	Company name (stock code)	Agreement date	Name of the framework agreement	Nature of services under the Transaction Comparable	Pricing terms
1	Alibaba Health (241)	March 30, 2021	“2022 Outsourced Services Framework Agreement”	Technical support on product and store information display, transaction completion processes, use of payment tools and consumer service tools	Fees sharing basis: 21.5% of the fees paid by certain Tmall merchants to Alibaba Health’s substantial shareholder’s affiliates in respect of the value of completed sales of relevant products or services
2	Alibaba Health (241)	March 30, 2021	“2022 Shared Services Agreement”	Operational support services, mid-office system support services, information technology system and online platform maintenance and payment related services	Cost-plus basis: involving a margin ^{Note} , which shall be determined by one of the four largest international professional accounting firms as designated by the ultimate controlling shareholder of Alibaba Health
3	JD Health International Inc. (6618)	November 23, 2020	“Shared Services Framework Agreement”	Information technology support service and maintenance	Actual costs incurred during the services process

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#	Company name (stock code)	Agreement date	Name of the framework agreement	Nature of services under the Transaction Comparable	Pricing terms
4	Ming Yuan Cloud Group Holdings Limited (909) (“ <u>Ming Yuan Cloud</u> ”)	December 16, 2019	“Exclusive Business Cooperation Agreement”	(i) Development, maintenance and update of the software in respect of a subsidiary’s business; and (ii) technical support and professional training services for relevant employees of such subsidiary	Profit sharing basis: service fees shall be 80% of the total consolidated profit of the consolidated affiliated entity of Ming Yuan Cloud before tax, after the deduction of any accumulated deficit of this entity in respect of the preceding financial year(s) (if any), operating costs, expenses, taxes and other statutory contributions in respect of any financial year
5	Semiconductor Manufacturing International Corporation (981) (“ <u>SMIC</u> ”)	December 26, 2019	“Framework Agreement with SJ CAYMAN”	Comprehensive administration, logistics, production management and information technology service	Cost-plus basis: a fair and reasonable profit rate in line with the industry which is 5%-10%
6	SMIC (981)	December 6, 2019	“Framework Agreement with SMSC”	Comprehensive administration, logistics, production management and information technology service	Cost-plus basis: a fair and reasonable profit rate plus a subsequent profit rate of 5%
7	SMIC (981)	September 2, 2020	“Framework Agreement with SMNC”	Comprehensive administration, logistics, production management and information technology service	Cost-plus basis: a fair and reasonable profit rate plus a subsequent profit rate of 5%

Note: The exact margin was not disclosed in the relevant announcement.

Based on the above, we note that: (i) four out of the seven Transaction Comparables adopted cost-plus basis which accounted for the majority of the Transaction Comparables; and (ii) the fee rates of the aforesaid four Transaction Comparables which adopted the cost-plus basis ranged from 5% to 10%. In view that (i) the majority of the Transaction Comparables adopted cost-plus basis and (ii) the upper end of the range of fee rates charged under the cost-plus basis adopted by the Transaction Comparables was 10%, we consider that the adoption of the Cost-Plus Basis is on normal commercial terms and the 15% premium of the Cost-Plus Basis is fair and reasonable.

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In addition, we note the Transaction Comparables, amongst the cost-plus basis, the fee sharing basis or the profit sharing basis, would only adopt one of them as the pricing terms. We have not identified any Transaction Comparable with a pricing basis comprising both the cost-plus basis and an additional incentive payment which is similar to pricing terms under the Operation Services Agreement. The Incentive Payment serves as an extra incentive for Zhonglian Shengshi and/or its affiliates as it will be entitled to the Incentive Payment if it successfully assist(s) Beijing Damai in achieving its business objectives or financial targets, while Beijing Damai will be benefited from the better financial performance. In this regard, the adoption of the Incentive Payment is considered as a win-win solution for both Zhonglian Shengshi and Beijing Damai.

In view of the above, the Pricing Basis adopted in the Operation Services Agreement is on normal commercial terms and fair and reasonable, and is also considered to be in the interests of the Company and the Shareholders as a whole.

4. The Annual Caps

As stated in the Letter from the Board, the Annual Caps for the total service fees payable by Beijing Damai and/or its affiliates to Zhonglian Shengshi with respect to the transactions contemplated under the Operation Services Agreement for the three financial years ending March 31, 2023, 2024 and 2025 (the “Cap Period”) are fixed at RMB450,000,000, RMB450,000,000 and RMB450,000,000, respectively.

The Annual Caps are determined with reference to (i) the estimated annual demand for the Operation Services during the term of the Operation Services Agreement; (ii) the estimated direct and indirect costs for and the estimated profit from the provision of the Operation Services; (iii) the estimated Incentive Payment provided that Zhonglian Shengshi and/or its affiliates successfully assists Beijing Damai and its affiliates in achieving their business objectives or financial targets for a specific financial year during the term of the provision of the Operation Services; and (iv) a certain percentage of buffer for potential increment in the transaction volume year-on-year.

To assess the fairness and reasonableness of the Annual Caps, we have obtained and reviewed the Management’s calculation worksheet. It was noted that the Annual Caps were determined based on: (i) the estimated overall labour cost (the direct cost) calculated based on the average annual remuneration packages of the estimated manpower with different expertise; (ii) the other operating costs (the indirect cost); (iii) the estimated reasonable profit from the provision of the Operation Services; (iv) the estimated Incentive Payment; and (v) a certain percentage of buffer.

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After our discussion with the Management, we understand and note from the calculation worksheet of the Annual Caps that:

- (i) the Operation Services to be provided by Zhonglian Shengshi and/or its affiliates to Beijing Damai and/or its affiliates mainly include: (a) system operation and management service, (b) business development service; (c) content production service; and (d) general administrative support services, the nature of which is similar to the corresponding existing businesses and operational functions of the Group;
- (ii) the annual demand for the Operation Services was first estimated by making reference to the size of the relevant existing business teams of Beijing Damai;
- (iii) after making reference to the size of the relevant existing business teams of Beijing Damai to estimate the manpower required for providing the corresponding types of the Operation Services, the Management then estimated the overall labour cost by making reference to the average annual remuneration cost of the existing members in the corresponding business teams of the Group. We have made further enquiry in relation to the base year for referencing the average annual remuneration cost and we understand that the Management adopted the latest financial year being the financial year ended March 31, 2021 as the base year which we consider to be fair and reasonable;
- (iv) the other operating costs are estimated on a per-capita basis by making reference to the relevant expenses incurred by the corresponding existing business teams of the Group, which include, among others, systems and applications operation cost, systems and applications maintenance costs, products and services procurement cost, other technology resources operating costs, business trips and accommodation costs; and
- (v) after estimating the overall labour cost and the other operating costs of providing the aforementioned Operation Services with reference to: (i) the existing team size of the corresponding business function/unit of Beijing Damai; and (ii) the average annual remuneration cost of the existing members in the corresponding business teams/units of the Group, the Management also compared the estimated annual remuneration expenses and operating costs against those of several comparable companies which were/are publicly listed and selected by the Management mainly based on the nature of the business which involves ticketing platform operation and content production. We have cross-checked the information of the said comparable companies adopted in the calculation worksheet against the publicly available information to ensure accuracy and did not note any inconsistency.
- (vi) lastly, a 15% premium and certain buffer (inclusive of the Incentive Payment) are applied to the total amount of the annual remuneration expenses and the operating costs.

In view of the above that are consistent with the determination basis of the Annual Caps as stated in the Letter from the Board, we consider that the Annual Caps to be fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. Internal control measures

In order to ensure that (i) the terms of the Operation Services Agreement and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable; (ii) the service fees for the transactions contemplated under the Operation Services Agreement are not less favourable to Zhonglian Shengshi than those offered to independent third parties; and (iii) the Annual Caps will not be exceeded, the Group has adopted the following measures:

The Company will review the service fees and the pricing basis annually by comparing them against the service fees and the pricing basis for comparable services provided or received by the Group to or from any independent third party. The finance department of the Company will also conduct market research annually, which may include obtaining the market information on service fees and/or pricing basis with respect to the same or similar transactions entered into between other market participants and other independent third parties, to ensure that the service fees and the pricing basis are in line with the normal market practices and no more favourable to the other relevant contracting parties of the respective agreements 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 Operation Services Agreements regularly and will update such information to the chief financial officer of the Company.

In addition, 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 will also conduct an annual review on the pricing basis and the Annual Caps under the Operation Services 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 regularly the Company's internal control system and its effectiveness.

As noted from the internal control measures set out in the Letter from the Board (the "IC Measures"), we note that various levels of seniority of personnel will be involved.

At the execution level, the Management will review the service fees and the pricing basis annually by comparing them against the service fees and the pricing basis for comparable services payable or receivable by the Group to or from any independent third party. The finance department of the Company will also: (i) ensure that the service fees and the pricing basis are in line with the normal market practices and no more favourable to the other relevant contracting parties of the respective agreements than those available to any independent third party under the same or similar conditions by conducting market research annually; and (ii) regularly collect information and monitor the actual transactions conducted with the relevant parties and the corresponding fees incurred under the Operation Services Agreements and update such information to the senior management of the Company which is the chief financial officer of the Company.

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At the Board level, 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. We have obtained the annual review record by the independent non-executive Directors on the continuing connected transactions conducted by the Group for the financial year ended March 31, 2021 and noted that the independent non-executive Directors confirmed that the continuing connected transactions conducted by the Group during the financial year ended March 31, 2021 were conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better and the terms were fair and reasonable and in the interests of Shareholders as a whole. We also note that the Board will continue to review regularly the Company's internal control system and its effectiveness. We have obtained and reviewed the review record conducted by the audit committee of the Company and noted the audit committee of the Company reviewed, among other, the effectiveness of the Company's internal control system in the financial year ended March 31, 2021.

At the expert level, the auditor of the Company would also conduct an annual review on the pricing basis and the annual caps under the Operation Services Agreement. We have obtained and reviewed the annual review record conducted by the auditor of the Company on the pricing basis and if any annual cap was exceeded for the continuing connected transactions of the Group for the financial year ended March 31, 2021.

For our due diligence purpose, we have also discussed with Management and understood that the Management is aware of the IC Measures and will comply with IC Measures when conducting the transactions contemplated under the Operation Services Agreement.

In view of: (i) the existence of such several layers (i.e. execution level, Board level and expert level) of the IC Measures in place; and (ii) the Management is aware of the IC Measures and will comply with the IC Measures when conducting the transactions contemplated under the Operation Services Agreement, we consider that the Company has adopted adequate internal control measures.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OPINION AND RECOMMENDATION

In view of the above principal factors and reasons, we considered that: (i) terms of the Operation Services Agreement and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned; (ii) the transactions contemplated thereunder are on normal commercial terms; and (iii) the entering into of the Operation Services Agreement and the transactions contemplated thereunder is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. We, therefore, recommend the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favor of the relevant resolutions to be proposed at the SGM in relation to the Operation Services Agreement and the transactions contemplated thereunder (including the Annual Caps).

Yours faithfully,
For and on behalf of
Opus Capital Limited
Cheung On Kit Andrew
Executive Director

Mr. Cheung On Kit Andrew is an Executive Director of Opus Capital and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Cheung has over 14 years of corporate finance experience in Asia Pacific and has participated in and completed various financial advisory and independent financial advisory transactions.

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	Capacity	Number of ordinary shares held	Derivatives		Aggregate interests	Approximate percentage of aggregate interests to total issued share capital of the Company (Note)
			Share Options	Awarded Shares		
Fan Luyuan	Beneficial Owner	245,000	11,175,000	4,225,000	15,645,000	0.06%
Li Jie	Beneficial Owner	2,304,723	30,625,000	9,000,000	41,929,723	0.16%
Meng Jun	Beneficial Owner	46,447	2,280,000	847,500	3,173,947	0.01%

Note:

Based on a total of 26,836,786,410 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	Capacity	Number of shares/ underlying share held		Approximate percentage of aggregate interests to total issued share capital of AGH (Note 2)
		(in the number of American Depositary Shares ("ADS(s)") of AGH) (Note 1)	(in the number of ordinary shares of AGH) (Note 1)	
Fan Luyuan	Note 3	635,008	5,080,064	0.02%
Lie Jie	Note 4	77,347	618,776	0.00%
Meng Jun	Note 5	14,016	112,128	0.00%
Liu Zheng	Note 6	17,710	141,680	0.00%
Tong Xiaomeng	Note 7	117,647	941,176	0.00%
Johnny Chen	Note 8	100	800	0.00%

Notes:

- One ADS of AGH represents eight ordinary shares of AGH; and one restricted share unit ("RSU(s)") of AGH represents one ADS of AGH.
- Based on a total of 21,528,618,024 ordinary shares of AGH in issue as at the Latest Practicable Date.
- The interest comprised (i) 2,900 ADSs of AGH and 23,251 RSUs of AGH held by Mr. Fan Luyuan beneficially; (ii) 608,857 ADSs of AGH held by a trust, of which Mr. Fan Luyuan is a founder.
- The interest comprised 45,645 ADSs of AGH and 31,702 RSUs of AGH held by Mr. Li Jie beneficially.
- The interest comprised (i) 6,268 ADSs of AGH and 5,625 RSUs of AGH held by Mr. Meng Jun beneficially; and (ii) 2,123 ADSs of AGH held by the spouse of Mr. Meng Jun.
- The interest comprised 10,210 ADSs of AGH and 7,500 RSUs of AGH held by Mr. Liu Zheng beneficially.
- The interest comprised 117,647 ADSs of AGH held by Mr. Tong Xiaomeng beneficially.
- The interest comprised 100 ADSs of AGH held by Mr. Johnny Chen beneficially.

Long positions in the shares and underlying shares of Cainiao Smart Logistics Network Limited (“Cainiao”), an associated corporation of the Company within the meaning of Part XV of the SFO

Name of Director	Capacity	Number of relevant class of shares/underlying shares of Cainiao held		Approximate percentage of aggregate interests to total issued share capital of Cainiao (Note)
		(class A ordinary shares)	(class B ordinary shares)	
Liu Zheng	Beneficial Owner	5,460,000	5,900,000	0.07%

Note: As at the Latest Practicable Date, the issued share capital of Cainiao was made up of 15,212,555,296 ordinary shares, 438,421,666 class A ordinary shares and 77,576,548 class B ordinary shares; Mr. Liu Zheng was interested in 5,460,000 class A ordinary shares and 5,900,000 class B ordinary shares, representing approximately 1.25% and 7.61% of the relevant class of shares in issue of Cainiao respectively, and was not interested in any ordinary share in issue of Cainiao.

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.

As at the Latest Practicable Date, save for (i) each of Mr. Fan Luyuan, Mr. Meng Jun and Mr. Liu Zheng is an employee of AGH or its subsidiaries, and (ii) Mr. Li Jie is currently taking up a management role in a subsidiary of AGH, 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, 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

(c) Interests in contracts or arrangements

Save for any deemed or perceived material interests of Mr. Fan Luyuan, Mr. Meng Jun and Mr. Liu Zheng (each being an employee of AGH or its subsidiaries) and Mr. Li Jie (taking up a management role in a subsidiary of AGH) in (i) the transactions or arrangements or contracts as disclosed in the section headed “Connected Transactions” in the Directors’ Report of the 2020/21 annual report of the Company; (ii) the related party transactions as disclosed in note 32 to the consolidated financial statements contained in the 2020/21 annual report of the Company; and (iii) the agreements (including the Operation Services Agreement) relating to continuing connected transactions as disclosed in the announcements of the Company dated April 1, 2021, June 17, 2021, August 6, 2021 and February 8, 2022, 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:

Name	Qualifications
Opus Capital	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

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 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, 2021, being the date to which the latest published audited consolidated financial statements of the Group 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, 2021, 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 ON DISPLAY

A copy of the Operation Services Agreement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.alibabapictures.com) from the date of this circular and up to and including the date which is 14 days from the date of this circular.

NOTICE OF SGM



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 via the e-Meeting System at <http://spot-emeeting.tricor.hk> on Tuesday, March 29, 2022 at 4:00 p.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 Operation Services Agreement (as defined in the circular of the Company dated March 7, 2022 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 three financial years ending on March 31, 2023, March 31, 2024 and March 31, 2025 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 or persons (including a director of the Company) as the board of directors of the Company 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 Operation Services Agreement and the transactions contemplated thereunder including the affixing of common seal thereon.”

By Order of the Board
Alibaba Pictures Group Limited
Lew Aishan Nicole
Company Secretary

Hong Kong, March 7, 2022

NOTICE OF SGM

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. All registered shareholders of the Company (“Shareholder(s)”) will be able to join the Meeting via the e-Meeting System. Our e-Meeting System can be accessed from any location with access to the internet via smartphone, tablet device or computer.
2. 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 via the e-Meeting System instead of him. A proxy needs 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 via the e-Meeting System on his behalf.
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 via the e-Meeting System 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 via the e-Meeting System at the Meeting will be Wednesday, March 23, 2022. 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 Wednesday, March 23, 2022.
5. All voting by the members at the Meeting via the e-Meeting System shall be conducted by way of poll.
6. Registered Shareholders will be able to attend the Meeting, vote and submit questions online. Each registered Shareholder’s personalized login and access code will be sent to him or her under separate copy around one week before the Meeting. In the case of joint registered holders of any share(s), only **ONE PAIR** of login and access code will be provided to the joint registered holders. Any one of such joint registered holders may attend or vote in respect of such share(s) as if he/she/it was solely entitled thereto. For corporate Shareholders who wish to attend the Meeting and to vote online, please contact Company’s Branch Share Registrar at (852) 2975 0928 on or before March 23, 2022 for arrangement.

Non-registered Shareholders whose Shares are held in the Central Clearing and Settlement System through banks, brokers, custodians or Hong Kong Securities Clearing Company Limited may also be able to attend the Meeting, vote and submit questions online. In this regard, they should consult directly with their banks, brokers or custodians (as the case may be) for the necessary arrangements.

For online voting at the Meeting, Shareholders can refer to our separate letter to be sent to you and the Online Meeting User Guide (by visiting the hyperlink or scanning the QR code as printed therein) for details. If you have any queries on the above, please contact the Company’s Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, via their hotline at (852) 2975 0928 from 9:00 a.m. to 5:00 p.m. (Monday to Friday, excluding Hong Kong public holidays).

NOTICE OF SGM

7. Shareholders can attend the Meeting and exercise their voting rights in one of the following ways:
- (1) attend the Meeting via e-Meeting System which enables live streaming and interactive platform for submitting questions and voting online; or
 - (2) appoint chairman of the Meeting or other person(s) as your proxy(ies) by providing their email address(es) for receiving the designated log-in username and password to attend and vote on your behalf via the e-Meeting System.

Your proxy's authority and instruction will be revoked if you attend and vote at the Meeting via e-Meeting system.

Due to the constantly evolving COVID-19 pandemic situation in Hong Kong, the Company may be required to adopt further changes to the Meeting arrangements at short notice. Shareholders are advised to check the websites of the Company (<http://www.alibabapictures.com>) and HKEX (www.hkexnews.hk) for the latest announcement and information relating to the Meeting.

As at the date of this notice, the board of directors of the Company comprises Mr. Fan Luyuan, Mr. Li Jie and Mr. Meng Jun, being the executive directors; Mr. Liu Zheng, being the non-executive director; and Ms. Song Lixin, Mr. Tong Xiaomeng and Mr. Johnny Chen, being the independent non-executive directors.