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

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

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

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

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1060)**

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO THE ACQUISITION OF THE SALE SHARES  
INVOLVING ISSUE OF CONSIDERATION SHARES;  
(2) CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO THE NEW CONTRACTUAL ARRANGEMENTS; AND  
(3) NOTICE OF SPECIAL GENERAL MEETING**

**Financial Adviser to the Company**

**J.P.Morgan**

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

**ALTUS CAPITAL LIMITED**

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A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 53 to 54 of this circular. A letter from Altus Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 55 to 79 of this circular.

A notice convening the SGM to be held at Room Salon, Eaton Club Central at 5/F, Champion Tower, 3 Garden Road, Central, Hong Kong on Tuesday, October 31, 2023 at 11:00 a.m. is set out on pages 84 to 86 of this circular. Whether you are able to attend the SGM or not, you are requested to complete the enclosed 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 17/F, Far East Finance Centre, 16 Harcourt Road, 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 (i.e. not later than 11:00 a.m. on Sunday, October 29, 2023) or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the SGM or any adjourned meeting if they so wish.

References to time and dates in this circular are to Hong Kong time and dates.

October 16, 2023

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## DEFINITIONS

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

“Acquisition”	the sale and purchase of the Sale Shares of the Target Company as contemplated under the Share Purchase Agreement
“Alibaba Holding”	Alibaba Group Holding Limited (阿里巴巴集團控股有限公司), 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 codes: 9988 (HKD counter) and 89988 (RMB counter)) and the ultimate controlling shareholder of the Company
“Alibaba Holding WFOE”	a wholly-owned subsidiary of Alibaba Holding
“Alibaba Group”	Alibaba Holding and its subsidiaries
“Ali CV”	Ali CV Investment Holding Limited, a company incorporated in the Cayman Islands and the controlling shareholder of the Company and an indirect wholly-owned subsidiary of Alibaba Holding
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Business Day(s)”	any weekday that the banks in the United States, the PRC, Hong Kong, Cayman Islands, British Virgin Islands and Bermuda are generally open for business
“Closing”	the consummation of the sale and purchase of the Sale Shares and the issue and allotment of the Consideration Shares pursuant to the Share Purchase Agreement
“Company” or “Purchaser”	Alibaba Pictures Group Limited (阿里巴巴影業集團有限公司), 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)
“Consideration”	the total consideration for the Acquisition, which will be satisfied by the issue of the Consideration Shares by the Company to the Seller
“Consideration Shares”	2,513,028,847 Shares in aggregate to be issued to the Seller as the Consideration pursuant to the Share Purchase Agreement

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## DEFINITIONS

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“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Contractual Arrangements”	the series of contractual arrangements, which comprise the exclusive service agreements, the loan agreements, the equity interest pledge agreements, the powers of attorney on shareholders’ voting rights and the exclusive option agreements, entered into among Damai WFOE, each of the OPCOs and the Registered Owner on August 28, 2023
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“CSRC”	the China Securities Regulatory Commission of the PRC
“Damai Brand”	the provider of live performance under the brand of the Target Company
“Damai Communication”	北京大麥文化傳播有限公司 (Beijing Damai Cultural Communication Co., Ltd.*), a company established under the laws of the PRC with limited liability and a consolidated entity of Alibaba Holding
“Damai Development”	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 Alibaba Holding
“Damai WFOE”	北京紅馬科技有限公司 (Beijing Pony Technology Co., Ltd.*), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of Alibaba Holding
“Director(s)”	director(s) of the Company
“EBITA”	earnings before interest, taxes and amortization
“Five Individuals”	five selected members of the Alibaba Partnership or Alibaba Holding’s management who are PRC citizens, namely Jeff Jianfeng Zhang, Winnie Jia Wen, Jie Song, Yongxin Fang and Li Cheng, as of the Latest Practicable Date
“Group”	the Company and its subsidiaries
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“ICP License”	a value-added telecommunications service operating license for internet information services of the PRC (互聯網信息服務的《中華人民共和國增值電信業務經營許可證》)
“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, to advise the Independent Shareholders on the Acquisition, the Share Purchase Agreement, the Contractual Arrangements and the transactions contemplated thereunder
“Independent Financial Adviser” or “Altus Capital”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, the Share Purchase Agreement and the Contractual Arrangements
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the relevant resolution at the SGM
“Issue Price”	the issue price of HK\$0.52 per Consideration Share
“Jinmai Technology”	青島金麥網絡科技有限公司(Qingdao Jinmai Network Technology Co., Ltd.*), a company established under the laws of the PRC with limited liability and a consolidated entity of Alibaba Holding
“Last Trading Day”	September 18, 2023, being the last full trading day for the Shares before the date of the announcement published by the Company announcing the entering into of the Share Purchase Agreement
“Latest Practicable Date”	October 9, 2023, being the latest practicable date prior to the publication of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“OPCOs”	Damai Development, Jinmai Technology and Damai Communication

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## DEFINITIONS

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“Operation Services Agreement”	the operation services agreement dated February 8, 2022 entered into between Damai Development and Zhonglian Shengshi, a wholly-owned subsidiary the Company, for the provision of full range of operation services to Damai Development by Zhonglian Shengshi, details of which are stipulated in the circular of the Company dated March 7, 2022
“Parties”	the Purchaser and the Seller
“PRC” or “China”	the People’s Republic of China
“PRC GP”	杭州寶燦企業管理有限公司 (Hangzhou Baocan Business Management Co., Ltd.*), a company established under the laws of the PRC with limited liability serving as a general partner of the PRC LPs
“PRC Investco”	杭州寶軒投資管理有限公司 (Hangzhou Baoxuan Investment Management Co., Ltd.*), a company established in the PRC with limited liability, which is held as to 50% by each of the PRC LPs
“PRC Legal Adviser”	the PRC legal counsel to the Company in relation to the Contractual Arrangements
“PRC LPs”	杭州橙寶投資管理合夥企業(有限合夥) (Hangzhou Chengbao Investment Management Partnership (Limited Partnership)*) and 杭州熹寶投資管理合夥企業(有限合夥) (Hangzhou Xibao Investment Management Partnership (Limited Partnership)*), limited partnerships established in the PRC
“Registered Owner”	阿里巴巴文化娛樂有限公司 (Alibaba Culture Entertainment Co. Ltd.*), a company established in the PRC with limited liability and a consolidated entity of Alibaba Holding, which is primarily engaged in investment holding and as the registered owner of the OPCOs. As of the Latest Practicable Date, it is wholly-owned by the PRC Investco
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	53,345,618 ordinary shares of par value US\$0.001 per share of the Target Company, which represent 100% of the entire issued share capital of the Target Company
“Seller” or “Alibaba Investment”	Alibaba Investment Limited, a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of Alibaba Holding

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## DEFINITIONS

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“SGM”	the special general meeting of the Company to be convened for the Independent Shareholders to consider, and if thought fit, approve, among other things, the Acquisition, the Share Purchase Agreement and the Contractual Arrangements
“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 Purchase Agreement”	the share purchase agreement dated September 19, 2023 entered into among the Purchaser and the Seller in respect of the Acquisition
“SHIBOR”	the Shanghai Interbank Offered Rate, a daily reference rate published by the National Interbank Funding Center
“Specific Mandate”	the specific mandate for the issue and allotment of the Consideration Shares, which is subject to the approval by the Independent Shareholders voting by way of poll at the SGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structured Contracts”	a series of exclusive service agreements, loan agreements, equity interest pledge agreements, powers of attorney on shareholders’ voting rights and exclusive option agreements entered into by and among each of the OPCOs, Damai WFOE and the Registered Owner
“Target Business”	the scope of business of the Target Group
“Target Company”	Pony Media Holdings Inc., an international business company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Seller
“Target Group”	the Target Company and its subsidiaries, including the OPCOs which are controlled by the Target Company through the Contractual Arrangements
“Trustee”	the trustee or trustees for the time being of the trust constituted by the trust deed dated December 30, 2016 entered into between the Company as a settler and the Trustee
“U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“USD”	United States dollars, the lawful currency of the U.S.

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## DEFINITIONS

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“U.S. GAAP”	accounting principles generally accepted in the U.S.
“VIE(s)”	variable interest entity(ies)
“VWAP”	in respect of the Shares, volume-weighted average price, being the ratio of the value traded to total volume traded over a trading day as quoted on the Stock Exchange
“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*

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## LETTER FROM THE BOARD

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 1060)

### *Executive Directors*

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

Mr. LI Jie (*President*)

Mr. MENG Jun (*Chief Financial Officer*)

### *Non-executive Director*

Mr. TUNG Pen Hung

### *Independent non-executive Directors*

Ms. SONG Lixin

Mr. TONG Xiaomeng

Mr. Johnny CHEN

### *Registered Office*

Clarendon House

2 Church Street

Hamilton, Pembroke, HM 11

Bermuda

### *Head Office*

Block B, Wangjing

Ali Centre

Building 4, Zone 4, Wangjing East Park

Chaoyang District

Beijing, China

### *Principal Place of Business in*

#### *Hong Kong*

26/F, Tower One

Times Square

1 Matheson Street

Causeway Bay

Hong Kong

October 16, 2023

*To the Shareholders*

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO THE ACQUISITION OF THE SALE SHARES  
INVOLVING ISSUE OF CONSIDERATION SHARES;  
(2) CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO THE NEW CONTRACTUAL ARRANGEMENTS; AND  
(3) NOTICE OF SPECIAL GENERAL MEETING**

## **I. INTRODUCTION**

Reference is made to the announcement of the Company dated September 19, 2023, in which the Company announced that on September 19, 2023, the Company and the Seller entered into the Share Purchase Agreement, pursuant to which the Company had conditionally agreed to acquire, and the Seller had conditionally agreed to sell, at Closing, the entire issued share capital of the Target Company in consideration for the issue of the Consideration Shares by the Company to the Seller. On August 28, 2023, the OPCOs, Damai WFOE and the Registered Owner entered into the Structured Contracts.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among other things, (i) details of the transactions contemplated under the Acquisition, the Share Purchase Agreement and the Contractual Arrangements; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the SGM.

### II. ACQUISITION

#### 1. Share Purchase Agreement

The principal terms of the Share Purchase Agreement are summarized below:

(a) *Date*

September 19, 2023

(b) *Parties*

- (i) Alibaba Investment Limited as Seller; and
- (ii) the Company as Purchaser.

(c) *Subject Matter*

The Purchaser has conditionally agreed to acquire, and the Seller has conditionally agreed to sell the Sale Shares, which represents 100% of the total issued and outstanding share capital of the Target Company.

(d) *Consideration*

The aggregate consideration shall be US\$167 million (equivalent to approximately HK\$1,307 million) and shall be satisfied by the Company allotting and issuing to the Seller 2,513,028,847 Consideration Shares at an Issue Price of HK\$0.52 per Consideration Share at Closing.

The Consideration Shares represent approximately 9.3% of the issued share capital of the Company as at the Latest Practicable Date and approximately 8.5% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. Based on the current shareholding structure of the Company, the Company will continue to satisfy the public float requirement under the Listing Rules following issue of the Consideration Shares.

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## LETTER FROM THE BOARD

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The Consideration was arrived at after arm's length negotiations between the Company and the Seller, taking into account various factors, including:

- a) the unique market leadership position of the Target Company as China's leading provider of live entertainment. The Target Group serves as the ticketing agency to a majority of concerts organised in the PRC; and according to QuestMobile, a research institution, the "Damai APP" operated by the Target Group has an absolute leading number of daily active users in the first half of 2023, surpassing its major competitor by over six times;
- b) the financial performance of the Target Company finely positioned to capture the strong recovery trend in China's live entertainment industry post pandemic. On a quarter-to-quarter basis, the Gross Merchandise Volume (GMV) of the Target Group increased by over 100% during the three months ended June 30, 2023;
- c) the growth potential in the scale and profitability of the Target Company, particularly the opportunity to diversify and expand presence along industry value chain, including events production and promotion, artists management and venue operation;
- d) the strategic value of the Target Company to the Company's business operations, diversifying revenue structure into live entertainment and expanding IP monetization channels. The Acquisition would also strengthen the Company's competitive position by consolidating customer resources and the industry expertise from the Target Company; and
- e) the enterprise value-to-sales ratios (the "EV/S Ratio(s)") of the Target Group relative to that of the Company and Maoyan Entertainment (the "Public Comparable Companies"), which are similarly engaged in the provision of ticketing services.

The Consideration implies an enterprise value-to-sales ratio (the "Implied EV/S Ratio") of approximately 3.89 times, based on revenue of the Target Company for the year ended 31 March 2023. The ratio is within the EV/S Ratio range of the Public Comparable Companies of approximately 2.81 times to 4.00 times, while slightly higher than the mean of the Public Comparable Companies of approximately 3.40 times. When considering the implied valuation of the Consideration relative to the mean EV/S Ratio of the Public Comparable Companies, the Company is cognizant of the fact and differences that (i) the Target Group's market leading position; and (ii) the Target Group's recent significant improvement in its businesses following relaxation of pandemic-related restrictions which is not reflected in the Implied EV/S Ratio.

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## LETTER FROM THE BOARD

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The following table sets out details of the comparables of the Public Comparable Companies and the relevant ratios:

Name	Stock exchange on which the company is listed	Stock code	Enterprise value <sup>(1)</sup> (HK billion)	EV/S Ratio <sup>(2)</sup> (times)
The Company	Hong Kong Stock Exchange	1060	10.6	2.81
Maoyan Entertainment	Hong Kong Stock Exchange	1896	10.0	4.00
Mean				3.40
The Target Group	N/A	N/A	0.9	3.89 <sup>(3)</sup>

*Notes:*

1. *The enterprise value of the Public Comparable Companies is calculated based on (i) their respective market capitalization as of September 18, 2023 (being the date prior to the date of the Share Purchase Agreement) (calculated based on their respective closing prices multiplied by the total number of issued shares as of the Latest Practicable Date); plus (ii) their respective total debts extracted from their respective latest published annual/interim reports/results announcements prior to the Latest Practicable Date; and minus (iii) their respective total cash extracted from their respective latest published annual/interim reports/results announcements prior to the Latest Practicable Date.*
2. *EV/S Ratios of the Public Comparable Companies are calculated based on their respective enterprise value (as calculated according to the formula above), and divided by the total revenue extracted from their respective latest published annual reports/results announcements prior to the Latest Practicable Date.*
3. *The Implied EV/S Ratio of the Target Group is calculated based on (i) the implied enterprise value of the Target Group (calculated based on the Consideration plus debt and minus cash of the Target Group as of March 31, 2023); and (ii) its revenue for the year ended March 31, 2023.*

The Company is of the view that the Consideration is, on balance, fair and reasonable as far as the Company and the Independent Shareholders are concerned when considered alongside qualitative determination factors mentioned above.

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## LETTER FROM THE BOARD

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*(e) Conditions precedent*

Closing is conditional upon:

- (i) the representations and warranties by the Purchaser and the Seller as set forth in the Share Purchase Agreement, or otherwise contained or referred to herein shall be true and accurate in all material respects as of the Closing, as though made at such date with reference to the facts and circumstances existing at such time;
- (ii) all approvals, permits and consents that are required to be obtained by the Parties hereto in connection with any of the transactions contemplated under the Share Purchase Agreement or under other agreements to be entered into in connection herewith shall have been duly obtained and shall continue to be in effect. In particular: (x) the Listing Committee of the Stock Exchange shall have granted its approval for the listing of, and permission to deal in, the Consideration Shares and such approval and permission having not subsequently been revoked or withdrawn prior to the delivery of definitive share certificates representing the Consideration Shares; (y) the Board shall have approved the Acquisition and the issue and allotment of the Consideration Shares; (z) the Independent Shareholders shall have approved and passed at a special general meeting of the Company to be convened and held, the necessary resolutions to approve the Acquisition, the issue and allotment of the Consideration Shares and grant its directors authority to issue and allot the Consideration Shares;
- (iii) the purchase of the Sale Shares and the allotment, issuance and subscription of the Consideration Shares are not prohibited by any statute, order, rule, regulation, ruling, directive or request promulgated or issued after the date of the Share Purchase Agreement and prior to Closing by any legislative, executive or regulatory body or authority (including the Stock Exchange) which is applicable to the Purchaser and the Seller.

The parties shall use (to the extent they are able to) their respective best endeavors to procure the fulfillment of the above conditions on or before the long stop date as stated below or such other date as the parties may agree in writing. Save for conditions (ii) and (iii) which cannot be waived, none of the conditions as stated above have been fulfilled or waived as at the Latest Practicable Date. There is no impact on the substance of the Acquisition if condition (i) is being waived.

*(f) Closing*

Closing shall take place remotely via the exchange of electronic documents and signatures on the 30th Business Day after all closing conditions specified in the Share Purchase Agreement have been waived or satisfied.

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## LETTER FROM THE BOARD

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**(g) Termination**

The Share Purchase Agreement and the transactions contemplated shall be terminated:

- (i) upon mutual consent in writing of the Seller and the Purchaser;
- (ii) automatically if the Closing shall not have been consummated on or prior to March 31, 2024, provided that the Parties may agree in writing to extend the long stop date; or
- (iii) in the event of any misrepresentation or other breach under the Share Purchase Agreement which materially affects the Seller or any of the Purchaser upon written notice by such affected party if such breach is not remedied within 20 Business Days after a written notice is given to the breaching party by the affected party.

**2. Issue of Consideration Shares**

The Issue Price of HK\$0.52 per Consideration Share represents:

- (a) a discount of approximately 5.5% to the closing price of HK\$0.5500 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 0.3% to the average VWAP for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.5215 per Share;
- (c) a discount of approximately 0.1% to the average VWAP for the 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.5204 per Share;
- (d) a discount of approximately 0.9% to the average VWAP for the 15 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.5249 per Share;
- (e) equal to the average VWAP for the 20 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.5200 per Share;
- (f) a premium of approximately 0.7% to the average VWAP for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.5164 per Share; and
- (g) a discount of approximately 13.0% to the consolidated net asset value per Share of approximately RMB0.52 (equivalent to approximately HK\$0.60) based on a total of 26,975,740,156 Shares in issue, the consolidated net asset of approximately RMB14,110 million, and the exchange rate of RMB1.0 to HK\$1.1430 as of March 31, 2023.

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## LETTER FROM THE BOARD

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The Issue Price was arrived at after arm's length negotiations between the Company and the Seller, taking into account various factors, including the average VWAP for the 30 consecutive trading days up to and include the Last Trading Day, as well as the factors described above.

The Consideration Shares, when fully paid, will rank *pari passu* in all respects among themselves and with the existing Shares in issue, including the right to receive all dividends and distributions which may be declared, made or paid after the Closing and will be issued free and clean of all liens, encumbrances, equities or other third party rights. Application has been made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Pursuant to Rule 13.36(1) of the Listing Rules, the Consideration Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the SGM. After the Consideration Shares are issued and listed on the Stock Exchange, the Company will file with the regulatory authorities in the PRC in accordance with the relevant applicable laws and regulations, including the filing with the CSRC.

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## LETTER FROM THE BOARD

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### 3. Potential Effects on the Shareholding Structure of the Company

Assuming 2,513,028,847 Consideration Shares are issued and allotted by the Company, such Consideration Shares represent approximately 9.3% of the total issued share capital of the Company as of the Latest Practicable Date, and approximately 8.5% of the total issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares, assuming there will be no change in the issued share capital of the Company between the Latest Practicable Date and the Closing (save for the issue and allotment of the Consideration Shares). Set out below is the shareholding structure of the Company (i) as of the Latest Practicable Date; and (ii) immediately after the issue and allotment of the Consideration Shares, assuming that there is no change in the existing shareholding of the Company and 2,513,028,847 Consideration Shares were issued at the Closing:

	As of the Latest Practicable Date		Immediately after the issue and allotment of the Consideration Shares	
	Number of Shares	Approximate % of shareholding	Number of Shares	Approximate % of shareholding
<b>Alibaba Group</b>				
Ali CV	13,488,058,846	50.0007	13,488,058,846	45.7396
Seller	–	–	2,513,028,847	8.5220
<i>Sub-total</i>	<i>13,488,058,846</i>	<i>50.0007</i>	<i>16,001,087,693</i>	<i>54.2616</i>
<b>Directors</b>				
FAN Luyuan	1,448,276	0.0054	1,448,276	0.0049
LI Jie	8,168,086	0.0303	8,168,086	0.0277
MENG Jun	626,499	0.0023	626,499	0.0021
<i>Sub-total</i>	<i>10,242,861</i>	<i>0.0380</i>	<i>10,242,861</i>	<i>0.0347</i>
<b>Trustee of a share scheme</b>	195,736,833	0.7256	195,736,833	0.6638
<b>Other public Shareholders</b>	13,281,701,616	49.2357	13,281,701,616	45.0399
<b>Total</b>	<b>26,975,740,156</b>	<b>100.0000</b>	<b>29,488,769,003</b>	<b>100.0000</b>

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## LETTER FROM THE BOARD

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### 4. Information on the Parties

#### (a) *The Company*

The Company was incorporated in Bermuda and the Shares are listed on the Main Board of the Stock Exchange. The Company is an investment holding company and the Group 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 Group 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.

#### (b) *The Seller*

The Seller is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. As of the Latest Practicable Date, the Seller is wholly owned by Alibaba Holding.

#### (c) *Alibaba Holding*

Alibaba Holding is a company incorporated in the Cayman Islands with its American depositary shares (the “ADSs”), 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 codes: 9988 (HKD counter) and 89988 (RMB counter)). 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 lasts for 102 years. Alibaba Group’s businesses comprise 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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## LETTER FROM THE BOARD

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### III. INFORMATION ABOUT THE TARGET GROUP

#### 1. The Target Company

The Target Company is a company incorporated in the British Virgin Islands on December 17, 2004. The Target Group, operating under the trade name “Damai” 大麦, is a leading provider of live performances, including concerts, musical festivals, live house performances, plays, sports events and exhibitions in the PRC, and established the “Damai Brand”. The Target Group served over 1.8 million events and had over 100 million registered customers cumulatively. The Target Group engages in the full life cycle of live performances, including production, promotion and ticketing. The Target Company, alongside its consolidated subsidiaries and affiliated consolidated entities, generated revenue of approximately RMB228 million for the financial year ended March 31, 2023.

Upon the Acquisition, together with the Target Company, the Group will be positioned as the flagship offline entertainment platform of the Alibaba Digital Media and Entertainment Group. By further expanding the upstream presence of Damai Brand in live entertainment industry value chain, such as events production and promotion, venue operation and artist management, the Company aims to strengthen scale advantages and barriers to entry, and further build brand awareness for its offline entertainment business.

As of the Latest Practicable Date, the Target Company is directly wholly-owned by the Seller and is indirectly controlled by Alibaba Holding. In July 2014, the Seller subscribed for the preferred shares representing an approximately 32% in the equity interest on a fully-diluted basis in the Target Company for a total consideration of US\$133 million. In March 2017, the Seller acquired all of the issued and outstanding shares of the Target Company that it did not already own for a total consideration of US\$393 million, and the Target Company became the Seller’s wholly-owned subsidiary.

#### 2. Financial Information of the Target Company

Based on the unaudited financial information of the Target Group prepared in accordance with U.S. GAAP as of March 31, 2023, the net asset value of the Target Group was RMB723 million. Set out below is a summary of certain key unaudited financial information of the Target Group for the financial years ended March 31, 2021, 2022 and 2023, prepared in accordance with U.S. GAAP. There is no material difference between the U.S. GAAP and the Hong Kong Financial Reporting Standards in respect of the figures below.

	For the year ended March 31,		
	2021	2022	2023
	(RMB'000)	(RMB'000)	(RMB'000)
	(unaudited)	(unaudited)	(unaudited)
Revenue	133,166	304,009	227,607
Net Loss	(576,775)	(141,169)	(229,193)
Adjusted Net Loss <sup>(Note)</sup>	(321,609)	(138,030)	(99,418)

*Note: The adjusted net loss excludes (i) the impact of stock-based compensation; and (ii) the profit generated in the year ended March 31, 2023 in relation to the Operation Services Agreement, which was entered into between Zhonglian Shengshi and Damai Development on February 8, 2022. The Company expects to terminate the Operation Services Agreement after Closing.*

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## LETTER FROM THE BOARD

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Attributed to the pandemic's impact on offline entertainment events, the Target Company recorded volatility in its historical financial performance and generated RMB133 million, RMB304 million and RMB228 million of revenue for the financial years ended March 31, 2021, 2022 and 2023, respectively.

The Target Company recorded net losses of approximately RMB577 million, RMB141 million and RMB229 million, respectively. The term of the Operation Services Agreement commenced on April 1, 2022, and the Company expects to terminate the Operation Services Agreement after Closing. Excluding the impact of stock-based compensation and the profit generated in the year ended March 31, 2023 in relation to the Operation Services Agreement, the adjusted net losses for the financial years ended March 31, 2021, 2022 and 2023 were RMB322 million, RMB138 million and RMB99 million, respectively.

Despite the Target Business has been loss-making for the three years ended March 31, 2023, it has recently witnessed material recovery in business. For the three months ended June 30, 2023, the Target Group recorded Gross Merchandise Volume (GMV) of over RMB4 billion, surpassing the GMV in financial year ended March 31, 2023 of approximately RMB3 billion. On a quarter-to-quarter basis, the GMV of the Target Group also increased by over 100% during the three months ended June 30, 2023. The significant recovery in operating results set a solid foundation for material improvements in the Target Group's financial performance. Furthermore, the Target Group is considered a strategically valuable asset to the Company, diversifying revenue structure into live entertainment and expanding IP monetization channels. The Acquisition would also strengthen the Company's competitive position by consolidating customer resources and the industry expertise from the Target Company.

### **3. Damai WFOE and the OPCOs**

#### **(a) Damai WFOE**

Damai WFOE is a company established under the laws of the PRC with limited liability which will enjoy the economic interests and benefits of the OPCOs through the Structured Contracts. As of the Latest Practicable Date, it is directly wholly-owned by the Target Company. Damai WFOE, alongside its consolidated subsidiaries and affiliated consolidated entities, is engaged in (i) ticketing services for various live entertainment events, such as concerts, music festivals, live houses, plays, sports events and exhibitions, and (ii) production and promotion of entertainment events and performances.

#### **(b) OPCOs**

##### *Damai Communication*

Damai Communication was established under the laws of the PRC with limited liability on January 31, 2008. As of the Latest Practicable Date, Damai Communication is wholly-owned by the Registered Owner. Damai Communication is principally engaged in offline entertainment business operations, including the scriptwriting and production of theatre shows, investment and production of live performances, and the provision of on-site execution consultation service for theater shows and live performances.

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## LETTER FROM THE BOARD

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Damai Communication has obtained Commercial Performance License for its business operation. The Commercial Performance License was issued on June 22, 2007 and will expire on June 21, 2024. The Shanghai branch of Damai Communication is responsible for obtaining local approval for performances in Shanghai.

### *Damai Development*

Damai Development was established under the laws of the PRC with limited liability on November 19, 2003. As of the Latest Practicable Date, Damai Development is wholly-owned by the Registered Owner. Damai Development is principally engaged in the operation of ticketing platforms, which includes on-site support services such as ticketing verification, performance implementation services, publicity and marketing services and ticketing management systems. The “Damai APP” operated by Damai Development has also completed the regulatory filing for the provision of deep synthesis service.

Damai Development has obtained ICP License, Internet Cultural Business License, Radio and Television Program Production License and Commercial Performance License for its business operation. The ICP License covering information service business was issued on January 8, 2021 and will expire on April 9, 2024; the Internet Cultural Business License was issued on May 11, 2023 and will expire on May 10, 2026; the Radio and Television Program Production License was issued on November 7, 2022 and will expire on November 7, 2024; and the Commercial Performance License was issued on June 22, 2007 and will expire on June 21, 2024. The Chengdu and Xi’an branches of Damai Development are responsible for obtaining local approval for performances.

### *Jinmai Technology*

Jinmai Technology was established under the laws of the PRC with limited liability on August 9, 2012. As of the Latest Practicable Date, Jinmai Technology is wholly-owned by the Registered Owner. Jinmai Technology is principally engaged in the operation of a ticketing platform for performances.

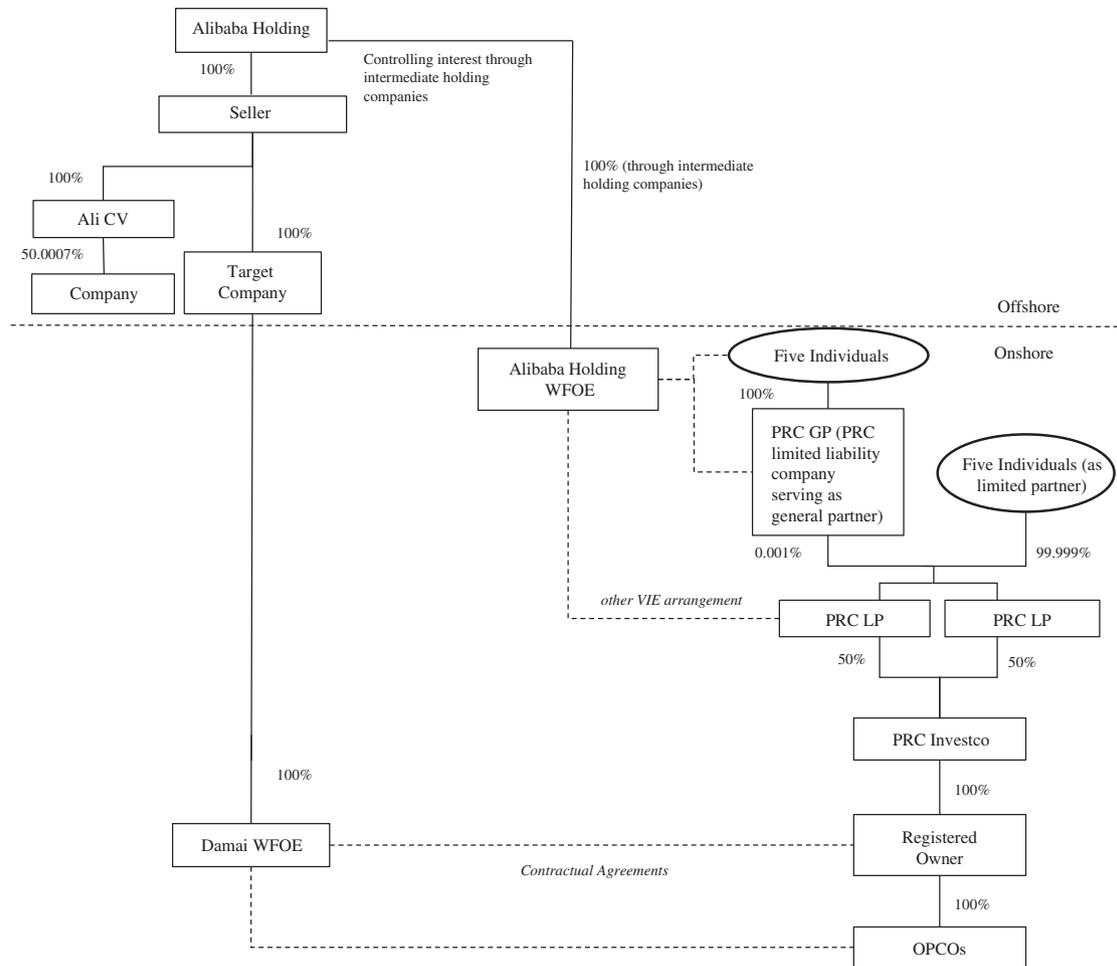
Jinmai Technology has obtained ICP License for its business operation. The ICP License covering information service business was issued on November 30, 2020 and will expire on September 3, 2024.

# LETTER FROM THE BOARD

## 4. Shareholding Structure under the Contractual Arrangements

Set forth below is the shareholding structure of the Target Group before and after the Closing.

### (1) Shareholding Structure of the Target Group as of the Latest Practicable Date and before Closing





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## LETTER FROM THE BOARD

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### IV. INFORMATION OF THE CONTRACTUAL ARRANGEMENT

#### 1. Reasons for Use of Contractual Arrangements

Foreign investment activities in the PRC are mainly governed by the Catalogue of Industries for Encouraging Foreign Investment 《鼓勵外商投資產業目錄》 (the “Encouraging Catalogue”) and the Special Administrative Measures (Negative List) for the Access of Foreign Investment 《外商投資准入特別管理措施(負面清單)》 (the “Negative List”) which were promulgated and amended from time to time jointly by the MOFCOM and the NDRC, the Foreign Investment Law and their respective implementation rules and subsidiary regulations. The Negative List and the Encouraging Catalogue divide industries into four categories in terms of foreign investment, namely, “encouraged”, “restricted”, “prohibited” and “permitted” (the last category of which includes all industries not listed under the “encouraged”, “restricted” and “prohibited” categories).

The principal business of the OPCOs includes (i) the production, distribution and streaming of online programme and online performance; and (ii) the provision of ticketing services through the operation of the OPCOs’ mobile apps (e.g. Damai APP) and websites (the “Restricted Businesses”). Certain of the OPCOs’ businesses are subject to foreign investment restrictions.

An ICP License is required for the provision of internet information service, a type of “value-added telecommunication service”; an Internet Cultural Business License is required for conducting commercial internet cultural activities; and a Radio and Television Program Production License is required for production and operation activities of radio and television programs. According to the Negative List, foreign investors are “restricted” from holding more than 50% equity interests in any enterprise holding an ICP License and “prohibited” from holding equity interests in any enterprise engaging in internet cultural business and radio and television programs production and operation activities.

#### *Damai Development*

Damai Development engages in the entertainment businesses which involves the production, distribution and streaming of online programme and online performance, operation of mobile apps and production and operation activities of radio and television programs. The business operation of Damai Development involves its ICP License, Internet Cultural Business License and Radio and Television Program Production License, therefore, Damai WFOE is prohibited in holding equity interests in Damai Development.

#### *Jinmai Technology*

For Jinmai Technology, while general ticketing service business does not strictly fall under the “restricted” category, the principal business of Jinmai Technology involves operation of mobile apps and a provision of internet information service, which falls within the scope of “value-added telecommunication service” under the telecommunications regulations of the PRC, and are therefore considered “restricted”, and the operation of which necessitates an ICP License being obtained. Jinmai Technology holds an ICP License. According to the applicable PRC laws and regulations, foreign investors are not allowed to

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## LETTER FROM THE BOARD

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hold more than 50% equity interests in any enterprise conducting such “restricted” business. Based on current and future development strategies of Jinmai Technology, the Group intends to promote the sales of tickets through the ticketing platforms of Jinmai Technology by production of short videos related to the performances. As advised by our PRC Legal Adviser, according to the applicable PRC laws and regulations, a Radio and Television Program Production License is required for the production of such short videos for promoting the sales of tickets through the ticketing platforms of Jinmai Technology and that according to the Negative List, foreign investors are “prohibited” from holding equity interests in any enterprise engaging in radio and television programs production and operation activities.

To become eligible to apply for a Radio and Television Program Production License, Jinmai Technology shall have certain staff members with radio and television program production related working experience or academic background. Jinmai Technology is in the process of preparation of the application for its Radio and Television Program Production License with the competent radio and television administration. The Target Group is currently arranging internal transfer of professional staff to Jinmai Technology within the Target Group and will initiate open recruitment process in its place of business, i.e. Qingdao City, the PRC in the event that the suitable professional staff cannot be arranged. The Directors are of the view that they do not foresee material obstacles for the application of the Radio and Television Program Production License on the basis that Jinmai Technology is able to fulfill the substantive conditions prescribed under the currently effective rules and regulations in all material respects and Jinmai Technology will complete the application prior to the commencement of relevant operation. The Company believes it is possible for Jinmai Technology to apply for a Radio and Television Program Production License in around six months.

### *Damai Communication*

Damai Communication engages in the production of a rich array of offline entertainment performances, ranging from staged plays, musicals, comedies to dramas, in theatres. While the conducting of offline entertainment theater shows does not strictly require specific foreign restricted/prohibited license, the Group intends to strengthen the business of Damai Communication to include in-house production and performance crew. The Group believes that having in-house directors, scriptwriters and performance artists will contribute to retaining of such talents, who are scarce resources in the industry and play an important role in the production of theater performances of Damai Communication, and is to the best interest for the continual development and fulfillment of long-term strategic goals of the Group.

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## LETTER FROM THE BOARD

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Damai Communication generally identifies suitable talents through collaborations with external parties and liaisons with short-term contract members who have participated in performances of Damai Communication. As for the selection criteria for performing artists, performing artists shall graduate from theatrical performance major from technical secondary school or above, or are equipped with professional title certificate or actor qualification certificate issued by the China Performing Industry Association. Currently, Damai Communication is in the course of identifying suitable talents, including directors, scriptwriters, gaffers and performing artists, for the establishment of the performing arts groups to participate in stage shows written and directed in-house. Damai Communication has recently initiated collaboration with external parties including opera houses and cultural troupe organizations to host contests and programs to identify suitable talents. Following the rendering of the play and musicals from the above contests and programs, Damai Communication will actively assess the suitability of talents with potentials to enter into long-term contracts with Damai Communication for its in-house performances. Damai Communication is also in preliminary contact with certain artists from its existing stage play to explore the possibility for them to join its performing arts groups.

Pursuant to the Regulation on the Administration of Commercial Performances (《營業性演出管理條例》), the Implementation Rules of the Regulation on the Administration of Commercial Performances (《營業性演出管理條例實施細則》) and relevant requirements on applying for the Commercial Performance License for cultural performance groups published by local governmental authority where Damai Communications is registered, a company is only eligible to apply for the Commercial Performance License for cultural performance groups when it (i) is equipped with a group of qualified in-house professional performing artists, each obtains a professional graduation certificate from performing arts major in a technical secondary school or above or a professional title certificate; (ii) has fixed auditorium and equipment suitable for the performance; (iii) engages in a specific type of performing arts; and (iv) holds a business license with its business scope containing “artistic performance” or “commercial performance” and with suitable equipment. In order to support the performing artists for their live stage performance, Damai Communication is also required to recruit a group of specific crews, including the script writers, directors, instrument technicians and front of house engineers. Damai Communication expects that according to its existing business development plan, it targets to fulfill all the above criteria in two years. Damai Communication shall apply to renew its Commercial Performance License to cover cultural performance groups before such performing art groups are allowed carry out performing art activities. As advised by our PRC Legal Adviser, according to the applicable PRC laws and regulations, the holding of Commercial Performance License for cultural performance groups falls under the “prohibited” category. Foreign investors are not allowed to hold any equity interests in any enterprise conducting such “prohibited” business. The Directors are of the view that, the abovementioned requirements (i) to (iv) as stipulated under relevant PRC laws and regulations are feasible for Damai Communication, therefore, there are no material legal impediments that would prevent the Company from applying for the Commercial Performance License for cultural performance groups. Subject to the fulfillment of prescribed conditions, the Company believes the application for the Commercial Performance License for cultural performance groups can be completed in around six months after its successful identification and engagement of suitable talents.

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## LETTER FROM THE BOARD

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The Company will, as applicable and when necessary, disclose the progress of the license application of Jinmai Technology and the progress of the development plans of the Damai Communication in its annual and interim reports to inform Shareholders.

As the applicable PRC laws and regulations in force restrict foreign investment in the above business operation of the OPCOs, in line with the common practice in the industries which are subject to foreign investment restrictions, the Group intend to adopt the Contractual Arrangements with respect to the OPCOs, which have enabled the Group, through Damai WFOE, to obtain effective control over, and receive all the economic benefits generated by, the businesses operated by the OPCOs, which in turn operate the Restricted Businesses through itself and its subsidiaries.

Therefore, the Company is of the view that the Contractual Arrangements have been narrowly tailored to achieve our business purpose and minimize the potential conflict with relevant PRC laws and regulations.

The Company agrees that it will make periodic inquiries with relevant PRC authorities to understand any new regulatory development and will unwind and terminate the Contractual Arrangements wholly or partially once the Restricted Businesses are no longer restricted from foreign investment to the extent permissible under PRC laws or once the Group decides to revise its future plans for Jinmai Technology and Damai Communication where their then business operation are permitted to be held by foreign investment under PRC laws.

### **2. Information on the Structured Contracts**

Principal terms of each of the Structured Contracts entered into on August 28, 2023 are set out as follows:

#### **(a) Exclusive Service Agreements**

Parties: (a) Damai WFOE; and

(b) the OPCOs

Each of the OPCOs and Damai WFOE entered into an Exclusive Service Agreement with the following terms:

Term: The term of the Exclusive Service Agreement is 20 years and will be automatically renewed for successive one-year term upon expiry unless otherwise notified by Damai WFOE. The relevant Exclusive Service Agreement shall be terminated in the event that (i) the business period stipulated in the corporate legal person business licence of either Damai WFOE or the relevant OPCO expires; or (ii) upon the event that it becomes permitted under PRC laws for Damai WFOE to directly hold the equity interest in the OPCOs, and Damai WFOE or its designated entity has obtained all the equity interest in the OPCOs.

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## LETTER FROM THE BOARD

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Subject: Each of the OPCOs has agreed to engage Damai WFOE as its exclusive service provider to the extent permitted under applicable PRC laws in exchange for service fees. The scope of service includes but not limited to (i) the permission of usage of relevant software legally owned by Damai WFOE; (ii) the provision of economic information, computer technology, business and management consultation and advice; (iii) the provision of business plans, designs, and marketing plans; (iv) the supply of hardware equipment and database/software resources and regular customer resources management, maintenance and updates; (v) the operation and provision of solutions on information technology and business management; (vi) the provision of software application development, maintenance and update; (vii) the provision of staff training, support and assistance; and (viii) the provision of other relevant services requested by the OPCOs. Each of the OPCOs may appoint designated third parties to perform part of or all of its obligations under the Exclusive Service Agreement. Pursuant to each Exclusive Service Agreement, the relevant OPCO shall pay to Damai WFOE a service fee, within one months after each calendar year for the services provided in the preceding year. Each of the relevant OPCO shall from time to time pay extra service fee for additional services provided by Damai WFOE upon request of the OPCOs. Damai WFOE may adjust the amount of service fees of each of the OPCOs under the premise of not violating the laws and regulations. The OPCOs shall not oppose to such adjustment unless with reasonable grounds.

Unless otherwise prescribed under the PRC laws and regulations, Damai WFOE shall have exclusive proprietary rights to intellectual property (including but not limited to copyright, patent, technical secret and trade secret) in the work outcomes jointly developed by Damai WFOE and the OPCOs or related to the business of OPCOs that is entrusted by Damai WFOE. For intellectual property in the work outcomes developed by the OPCOs independently, the proprietary right of the intellectual property shall be solely owned by the OPCOs under the conditions that (i) the OPCOs promptly inform Damai WFOE of the details of such intellectual property rights and provide relevant information reasonably requested by Damai WFOE, (ii) Damai WFOE shall enjoy the right of first refusal when the OPCOs intend to transfer its proprietary right and (iii) Damai WFOE is entitled to acquire all the intellectual property rights of the OPCOs that are related to the Restricted Business.

Each of Damai WFOE and the OPCOs shall complete the approval and registration procedures for extending the business period within three months before the expiration of their respective business periods for the continuation of the validity period of the Exclusive Service Agreement.

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## LETTER FROM THE BOARD

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**(b) Exclusive Option Agreements**

- Parties: (a) the Registered Owner;
- (b) Damai WFOE; and
- (c) the OPCOs

Each of the Registered Owner, Damai WFOE and the OPCOs entered into an Exclusive Option Agreement with the following terms:

**Term:** The Exclusive Option Agreement shall remain effective from the execution date and terminate when all the equity interests in and assets of the relevant OPCOs have been legally transferred to Damai WFOE or its designee in accordance with the terms of the Exclusive Option Agreement.

**Subject:** Each of the OPCOs irrevocably grant Damai WFOE an exclusive right to purchase or nominate any individuals/entities to purchase all or part of its assets at the corresponding paid-in capital contribution in each of the OPCOs registered capital. If the corresponding paid-in capital contribution is below the permissible minimum under the then applicable PRC laws, the purchase price shall be the permissible minimum under the then applicable PRC laws.

Each of the Registered Owner and the OPCOs irrevocably and unconditionally grants, to Damai WFOE or any individuals/entities designated by Damai WFOE, the exclusive conversion options and asset purchase options to purchase (at any time, in one or more times), to the extent permitted under relevant PRC Laws, all or part of the shares and/or assets in the OPCOs.

The Registered Owner shall be prohibited from selling, offering to sell, transferring, donating, pledging or otherwise disposing of all or part of their equity interests in the OPCOs, or granting others a right to purchase such equity interests, without the prior written consent from Damai WFOE.

Each of the OPCOs shall be prohibited from selling, offering to sell, transferring, donating, pledging or otherwise disposing of all or part of its assets, or granting others a right to purchase such assets, without the prior written consent from Damai WFOE.

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## LETTER FROM THE BOARD

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Without the prior written consent of Damai WFOE, the Registered Owner shall not sell, transfer, mortgage or dispose of in any manner any assets of the relevant OPCOs (except in the ordinary course of business), or legal or beneficial interest in the business or revenues of the relevant OPCOs, or allow the creation of any security interest thereon.

The Registered Owner shall, and the Registered Owner has undertaken to, return any income, profit distribution, dividends and bonus they received from the OPCOs to Damai WFOE or the person(s) as designated by Damai WFOE.

(c) *Loan Agreements*

- Parties:      (a)    Damai WFOE, as lender; and
- (b)    the Registered Owner, as borrower

Damai WFOE and the Registered Owner entered into a Loan Agreement in relation to each of the OPCOs with the following terms:

Principal:    Damai WFOE shall provide an one-off loan, at the interest rate per annum of SHIBOR, in an aggregate amount of RMB34.0 million to the Registered Owner for operation purpose as approved by Damai WFOE. The Registered Owner is forbidden to use part of or all of the loan for any other purposes.

Term:         Upon the execution of the Loan Agreement, the term of each loan under the Loan Agreement is 20 years from the signing date, or for a period until expiration of the business period of Damai WFOE or the respective OPCOs, whichever is earlier. During the term of the loan, Damai WFOE may, at its absolute discretion, decide to accelerate the maturity of the loan at any time, and issue a repayment notice to the Registered Owner 10 days in advance to require the Registered Owner to repay part or all of the outstanding amount in accordance with the terms of the Loan Agreements.

The Registered Owner shall repay the loan upon expiration of the term of each loan unless otherwise agreed by both parties. In that circumstance, unless otherwise prohibited by the applicable laws and regulations, Damai WFOE or its designee is entitled to exercise the share options under the Equity Interest Pledge Agreements to acquire the entire equity interest held by the Registered Owner in the OPCOs for a consideration which is equal to the loan amount. The Registered Owner shall waive any pre-emptive rights upon transfer of equity interest in the respective OPCO to Damai WFOE. Any tax arising from the loan shall be borne by each of Damai WFOE and the Registered Owner in accordance with applicable law.

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## LETTER FROM THE BOARD

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*(d) Powers of Attorney on Shareholders' Voting Rights*

- Parties:
- (a) the Registered Owner;
  - (b) Damai WFOE; and
  - (c) the OPCOs

Each of the OPCOs, the Registered Owner, and Damai WFOE entered into a Power of Attorney on Shareholders' Voting Rights with the following terms:

Term: The Powers of Attorney on Shareholders' Voting Rights shall remain effective for 20 years, and will be automatically renewed for consecutive one-year term upon expiry unless otherwise notified by Damai WFOE. The Powers of Attorney on Shareholders' Voting Rights shall be terminated prior to expiration in the event that the business period of either Damai WFOE or the relevant OPCO expires.

Subject: The Registered Owner irrevocably appointed designee(s) (including a liquidator replacing its directors) of Damai WFOE who are PRC nationals, to act as its attorney on its behalf to exercise all rights in connection with matters concerning its rights as shareholder of the relevant OPCOs, including but not limited to:

- (a) holding and attending shareholders' meeting of the relevant OPCOs as representative(s) of the Registered Owner;
- (b) representing the Registered Owner in the exercise of voting right and veto right on all matters requiring the decisions of shareholders, including but not limited to the appointment of directors and senior management;
- (c) voting as shareholders as contemplated under the articles of association of the company; and
- (d) signing relevant equity transfer agreements, asset transfer agreements (if applicable), capital reduction agreements, capital increase agreements, shareholder decisions and other relevant documents on behalf of existing shareholders, and handling relevant government approvals, registrations and filings as required for the transfers, capital reductions, and capital increases.

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## LETTER FROM THE BOARD

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(e) *The Equity Interest Pledge Agreements*

- Parties: (a) The Registered Owner, as pledger;
- (b) Damai WFOE, as pledgee; and
- (c) the OPCOs

Each of the Registered Owner, Damai WFOE and the OPCOs entered into an Equity Interest Pledge Agreement with the following terms:

- Term: Effective upon execution of the Equity Interest Pledge Agreements and shall remain valid until all the contractual obligations between the Registered Owner, Damai WFOE and the OPCOs under the Equity Interest Pledge Agreements have been fully discharged or that all outstanding loans have been fully repaid (whichever is later).
- Subject: The Registered Owner agrees to pledge all of its shares in the OPCOs to Damai WFOE as a security interest to guarantee the performance of contractual obligations and the payment of outstanding loans of the Registered Owner.

During the period of pledge, without the prior written consent of Damai WFOE, the Registered Owner shall not create or agree to create any new pledge or other security on the equity interests of the OPCOs, nor assign or transfer any of the equity interests in the OPCOs.

Unless due to the intentional misconduct or gross negligence of Damai WFOE, Damai WFOE shall not be liable for any decrease in value of the pledged interest, and the Registered Owner shall not have any right to claim against Damai WFOE as a result of such decrease in value. However, in the event that the decrease in value of the pledged interest may jeopardise rights of Damai WFOE, or upon occurrence of default, Damai WFOE may auction or sell the pledged interest for and on behalf of the Registered Owner, and allocate the proceeds received for loan repayment or deposit such proceeds to Damai WFOE's local Notary Office.

Structured Contracts will be made available on the Company's websites, [www.alibabapictures.com](http://www.alibabapictures.com), from the date of this circular.

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## LETTER FROM THE BOARD

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### 3. Disputes Resolutions, Succession and Liquidation Under the Structured Contracts

#### (a) *Disputes resolutions*

The Contractual Arrangements are governed by and shall be construed in accordance with the PRC laws. Any dispute arising from the Contractual Arrangements between the parties should first be resolved through negotiation. In case the dispute cannot be resolved, any party may submit the said dispute to the China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) in accordance with its arbitration rules. The arbitration location is to be in Hangzhou. The arbitration tribunal of arbitrators may award any remedies or relief measures including temporary and permanent injunctive relief (such as injunctive relief for the conduct of business or to compel the transfer of assets) in accordance with the provision of the Contractual Arrangements and the applicable PRC laws, and the specific performance of any obligations under the Contractual Arrangements, award remedies over the equity interest and the tangible/intangible assets of the OPCOs, prohibition of disposal and an order for the winding up of the OPCOs. The results of the arbitration shall be final and binding. In support of the arbitration pending formation of the arbitral tribunal or in appropriate cases, the courts in Hong Kong, Bermuda, the PRC and the location where the OPCOs' principal assets are located shall have the jurisdiction to grant interim remedies over the assets of the OPCOs.

#### (b) *Succession*

The provisions set out in the Contractual Arrangements are also binding on the successors of the parties, as if the successors were a signing party to the Contractual Arrangements. Although the Contractual Arrangements do not specify the identity of successors, under the PRC Civil Code (《中華人民共和國民法典》), the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents, and any breach by the successors would be deemed to be a breach of the Contractual Arrangements.

#### (c) *Liquidation*

Pursuant to the Structured Contracts, in the event of the OPCOs' or Registered Owner's (as the case may be) liquidation, dissolution, bankruptcy or termination, each of the Registered Owner or the OPCOs (as the case may be) shall transfer any assets distributed to such Registered Owner or the OPCOs (as the case may be) to its assignees, successors, heirs, liquidators, bankruptcy administrators or creditors without affecting or hindering the performance of the Contractual Arrangements.

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## LETTER FROM THE BOARD

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*(d) Unwinding the structure under the Contractual Arrangements*

The Company will unwind the structure created as a result of the Contractual Arrangements as soon as the PRC laws allow the Restricted Businesses to be operated without such structure, and Damai WFOE may acquire the equity interest in the OPCOs held by the Registered Owners and/or the assets of the OPCOs to the extent as permitted by the then applicable PRC laws. In the event Damai WFOE exercises the right under the Exclusive Option Agreements to acquire the equity interest in the OPCOs held by the Registered Owners and/or the assets of OPCOs to unwind the structure under the Contractual Arrangements, the Registered Owners and the OPCOs have undertaken to return to Damai WFOE or its designated entity any consideration received.

#### **4. Loss Sharing**

Under the relevant PRC laws and regulations, none of the Company and Damai WFOE is legally required to share the losses of, or provide financial support to, the OPCOs. Further, the OPCOs are limited liability companies and shall be solely liable for their own debts and losses with assets and properties owned by them. Nevertheless, Damai WFOE intends to continuously provide to or assist the OPCOs in obtaining financial support when deemed necessary. In addition, given that the Group conducts a substantial portion of its business operations in China through the OPCOs, and that their financial position and results of operations are consolidated into the Group's financial statements under the applicable accounting principles, the Company's business, financial position and results of operations would be adversely affected if the OPCOs suffer losses.

#### **5. Conflict of Interests**

The Registered Owner has given its irrevocable undertakings in the relevant powers of attorney on shareholders' voting rights which address potential conflicts of interests that may arise in connection with the Contractual Arrangements. Pursuant to the relevant powers of attorney on shareholders' voting rights, the Registered Owner will irrevocably appoint any person as designated by Damai WFOE as its representative, who is a PRC national, to act as its attorney on its behalf to exercise all rights in connection with matters concerning its rights as shareholder of the relevant OPCOs, including but not limited to: (a) attending the shareholders' meeting of the relevant OPCOs as representative of the Registered Owner; (b) exercising shareholders' voting rights on resolutions at shareholders' meetings, including but not limited to, the designation and appointment of directors and other senior management that are subject to appointment by the shareholders; (c) other matters decided or executed by the shareholders pursuant to the relevant constitutional documents; and (d) signing relevant documents when the Registered Owner sells or transfers all or part of its equity interests pursuant to the exclusive option agreements. Therefore, it is unlikely that there will be potential conflicts of interests between the Company and the Registered Owner.

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## LETTER FROM THE BOARD

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### V. INTERNAL CONTROL MEASURES TO BE IMPLEMENTED BY THE GROUP

The Structured Contracts contain certain provisions in order to exercise effective control over and to safeguard the assets of the OPCOs.

In addition to the internal control measures as provided in the Structured Contracts, it is the intention of the Company, following the Closing, to implement, through Damai WFOE, additional internal control measures against the OPCOs as appropriate, having regard to the internal control measures adopted by the Group from time to time, which may include but not limited to:

- (a) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;
- (b) the Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (c) the Company will disclose the overall performance of and compliance with the Contractual Arrangements in its annual reports; and
- (d) the Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of Damai WFOE and the OPCOs to deal with specific issues or matters arising from the Contractual Arrangements.

### VI. COMPLIANCE OF CONTRACTUAL ARRANGEMENTS WITH PRC LAWS, RULES AND REGULATIONS

The PRC Legal Adviser is of the opinion that, as of the Latest Practicable Date:

- (i) each of the OPCOs is duly incorporated and validly existing and their respective establishment complies with applicable PRC laws and regulations;
- (ii) the Structured Contracts would not fall within the circumstances as stipulated in the PRC Civil Code which will lead the arrangement thereunder as invalid act under the PRC Civil Code;
- (iii) each of the Structured Contracts is valid and legally binding in accordance with its terms and does not violate applicable PRC laws and regulations, except for the provisions to the effect that the arbitral body may award remedies over the shares and/or assets of the relevant OPCOs, injunctive relief and/or winding up of the relevant OPCOs, and that the courts in Hong Kong or Bermuda are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal may not be recognized or enforceable by the PRC courts;

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## LETTER FROM THE BOARD

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- (iv) no approvals of any PRC governmental authorities, will be required in connection with the execution, delivery, effectiveness and enforceability of each of the agreements comprising the Structured Contracts except that (x) the pledge of any equity interests in the OPCOs for the benefit of Damai WFOE and any transfer of pledged equity interest under the Equity Interest Pledge Agreements are subject to registrations or filings with the relevant governmental authority; (y) the exercise of any exclusive option rights by Damai WFOE under the relevant Exclusive Option Agreements may subject to the approvals of, filings with, or registrations with the relevant governmental authorities; and (z) the arbitration awards/interim remedies provided under the dispute resolution provision of the Structured Contracts shall be recognized by the PRC courts before compulsory enforcement.

The PRC Legal Adviser also advised us that there are uncertainties regarding the interpretation and application of current and future PRC laws and regulations, and accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to or otherwise different from the above opinion.

Based on the above, the Directors believe that the Structured Contracts are unlikely to be deemed ineffective or invalid under the relevant PRC laws and regulations, subject to certain issues discussed in the paragraphs headed “VIII. RISK FACTORS IN RELATION TO THE CONTRACTUAL ARRANGEMENTS” in this circular.

### **VII. THE BOARD’S VIEW ON THE CONTRACTUAL ARRANGEMENTS**

By entering into the Structured Contracts, the Group, through Damai WFOE, shall enjoy the entire economic interests and benefits generated by the OPCOs, since:

- (i) service fees are payable by the OPCOs to Damai WFOE under the Exclusive Service Agreements. Damai WFOE is entitled to adjust the amount of service fees of each of the OPCOs;
- (ii) Damai WFOE shall have exclusive proprietary rights to intellectual property (including but not limited to copyright, patent, technical secret and trade secret) in the work outcomes jointly developed by Damai WFOE and the OPCOs or related to the business of OPCOs that is entrusted by Damai WFOE under the Exclusive Service Agreement;
- (iii) without the prior written consent of Damai WFOE, the Registered Owner shall not sell, transfer, mortgage or dispose of in any manner any assets of the relevant OPCOs (except in the ordinary course of business), or legal or beneficial interest in the business or revenues of the relevant OPCOs, or allow the creation of any security interest thereon; and
- (iv) pursuant to the powers of attorney, the Registered Owner has irrevocably appointed designee(s) of Damai WFOE who are PRC nationals to act as its attorney on its behalf to exercise all rights in connection with matters concerning its rights as shareholder of the relevant OPCOs, including but not limited to the exercise of voting and veto rights on all matters requiring the decisions of shareholders.

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## LETTER FROM THE BOARD

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As stipulated under the paragraph headed “IV. INFORMATION OF THE CONTRACTUAL ARRANGEMENT – 1. Reasons for Use of Contractual Arrangements” of this circular, the Group intends to apply for a Radio and Television Program Production License with Jinmai Technology and expand the business of Damai Communication to cover performing artist-related services, which involves the development of artist groups in the field of cultural and performance arts, which is under the “prohibited” category of the Negative List. Therefore, the Contractual Arrangement is necessary for Jinmai Technology and Damai Communication to comply with the requirements of the governmental authorities of the PRC. The Board (including the independent non-executive Directors) is of the view that the Structured Contracts, when viewed in totality, are in compliance with the requirements set out in the Stock Exchange’s Guidance Letter HKEx-GL77-14, and being narrowly tailored to achieve the transactions contemplated under the Contractual Arrangements and to minimize the potential conflicts with and are enforceable under the relevant PRC laws. The Board confirms that appropriate arrangements have been made to protect the interests of the Group in the OPCOs in the event of the OPCO’s or the Registered Owner’s (as the case may be) liquidation, dissolution, bankruptcy or termination to avoid any practical difficulties in enforcing the Contractual Arrangements. The Contractual Arrangements and the transactions contemplated thereunder are fundamental to the Group’s legal structure and business operations, and such transactions have been or will be entered into in the Group’s ordinary and usual course of business. The terms of the Structured Contracts are fair and reasonable and on normal commercial terms or better, and the entering into of such agreements is in the interests of the Group and the Shareholders as a whole, and as such would enable Damai WFOE to gain control over the OPCOs and entitle it to the economic interests and benefits of the OPCOs.

The Registered Owner as a contracting party should observe and adhere to the terms and obligations of the Structured Contracts, in particular, the Registered Owner has passed all the powers of attorneys and shareholders’ voting rights and control to Damai WFOE via the Structured Contracts, and such that any action of the Five Individuals, the PRC GP, the PRC LPs and the PRC Investco could not affect the OPCOs under the Contractual Arrangements.

Besides, at Alibaba Group’s level, on September 1, 2016, the Five Individuals, the PRC GP, the PRC LPs and Alibaba Holding WFOE entered into an additional layer of contractual arrangements which comprises the loan agreements, the exclusive call option agreements, the proxy agreements, the equity pledge agreements and the exclusive service agreements. With the implementation of such arrangement, (a) each of the Five Individuals, pursuant to the relevant loan agreements, had undertaken not to enter into any transactions prohibited under such arrangement, including the transfer of any business, material assets or equity interests in the relevant contractual arrangements involving the use of variable interest entities by the Company to any third party and; (b) each of the PRC GP and the PRC LPs, pursuant to the relevant proxy agreements, had irrevocably authorized any person designated by certain subsidiary of Alibaba Holding to exercise the rights of the equity holder of the relevant contractual arrangements involving the use of variable interest entities by the Company, including without limitation the right to vote and appoint directors, which demonstrates that they are in substance nominee shareholders and all the power and control have been passed to the Alibaba Group. Moreover, the PRC Investco is wholly-owned by the PRC LPs and the PRC LPs holding such equity interests, have absolute control over the PRC Investco (together with the abovementioned contractual arrangements, the “Group VIE Arrangements”), including the right to appoint directors and the right to vote at general meetings of shareholders on material matters in accordance with its articles of association.

Therefore, the risk of the Five Individuals, the PRC GP, the PRC LPs and the PRC Investco exerting any adverse influence on the operation of the OPCOs or adverse impact on the Company’s interest in the OPCOs is very remote. The arrangements with multiple layers of entities and ultimately owned by the Five Individuals instead of two individuals help reduce the key man and succession risks and personal litigation and bankruptcy risks.

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## LETTER FROM THE BOARD

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Furthermore, pursuant to the Exclusive Option Agreements entered into among the Registered Owner, Damai WFOE and each of the OPCOs, the Registered Owner and each of the OPCOs irrevocably grant Damai WFOE an exclusive right to purchase or nominate any individuals/entities to purchase all or part equity interests in and assets of the OPCOs. Therefore, the Company is of the view that, together with the Group VIE Arrangements, there is no foreseeable impediment for the Company to acquire all the equity interests in and assets of the relevant OPCOs (if and when so permitted under the applicable PRC laws).

The Board (including the independent non-executive Directors) further believes that save for such issues as disclosed in the paragraphs headed “VIII. RISK FACTORS IN RELATION TO THE CONTRACTUAL ARRANGEMENTS – Certain terms of the Contractual Arrangements may not be enforceable under PRC laws”, the Structured Contracts conferring significant control and economic benefits from the OPCOs to the Company are enforceable under the relevant PRC laws, and that the Contractual Arrangements will provide a mechanism that enables Damai WFOE to exercise effective control over the OPCOs based on the following reasons:

- (i) The Directors have consulted with the PRC Legal Adviser in respect of their views on the Structured Contracts as stipulated under paragraphs headed “VI. COMPLIANCE OF CONTRACTUAL ARRANGEMENTS WITH PRC LAWS, RULES AND REGULATIONS”.
- (ii) The Directors undertake that they shall consult the PRC Legal Adviser from time to time to check if there are any legal developments in the PRC affecting the Contractual Arrangements, and shall, where necessary, immediately report to the Board and provide it with appropriate advice and recommendations to enable it to timely determine if any modification or amendment needs to be made in compliance with the updated legal requirements.

As a result, the Contractual Arrangements enable the Group to

- (i) irrevocably exercise such voting rights as entitled by shareholders of the OPCOs;
- (ii) exercise effective financial and operational control over the OPCOs;
- (iii) receive substantially all such economic interest returns generated by the OPCOs through the fees charged for the services provided by the WFOE;
- (iv) obtain an irrevocable and exclusive right to purchase all or part of the equity interests in the OPCOs from the respective shareholders at the corresponding paid-in capital contribution or at the minimum consideration permitted by PRC laws; and
- (v) obtain a pledge over the entire equity interests of the OPCOs from its respective equity holders to secure performance of the OPCOs’ obligations under the Contractual Arrangements.

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## LETTER FROM THE BOARD

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The Board (including the independent non-executive Directors), based on the advice of the PRC Legal Adviser, considers that the use of Contractual Arrangements is in compliance with the relevant PRC laws and regulations currently in effect and are legally binding and enforceable. As a result of the Contractual Arrangements, the Group is able to exert effective control over the OPCOs as it has rights to exercise power over the OPCOs (as entitled by its equity holders), receive variable returns from its arrangements with the OPCOs, and has the ability to affect those returns through its power over the OPCOs upon the completion of the Acquisition. Consequently, the Group will treat the OPCOs as controlled entities and consolidate the financial position and results of operations of these entities in the consolidated financial statements of the Group in accordance with Hong Kong Financial Reporting Standards upon the completion of the Acquisition. The Company has discussed with the Company's auditors and the Company's auditors concurred with management's assessment and conclusion on the accounting treatment.

### VIII. RISK FACTORS IN RELATION TO THE CONTRACTUAL ARRANGEMENTS

The Group believes the following risks are associated with the Contractual Arrangements:

**If the PRC government finds that the Contractual Arrangements that allow the Company to consolidate the results of operations, assets and liabilities, and cash flows of the OPCOs which operate the Restricted Businesses do not comply with the applicable PRC laws and regulations, the Company could be subject to penalties and its business may be materially and adversely affected**

On March 15, 2019, the National People's Congress promulgated the Foreign Investment Law, and the Implementation Rules to the PRC Foreign Investment Law came into effect as of January 1, 2020, which clarified and elaborated the relevant provisions of the Foreign Investment Law.

While the Foreign Investment Law does not define contractual arrangements as a form of foreign investment explicitly, it has a catch-all provision under the definition of "foreign investment" that includes investments made by foreign investors in the PRC through other means as provided by laws, administrative regulations or the State Council.

Notwithstanding the PRC Legal Advisers is of the view that the Contractual Arrangements are valid, legal and binding on and enforceable against all the signing parties to the Contractual Arrangements, the PRC laws and regulations are still evolving and the interpretation and application of current and future PRC laws and regulations may change from time to time; accordingly, the PRC regulatory authorities may take a view that is contrary to the opinion of the PRC Legal Adviser. It is uncertain whether any other new PRC laws or regulations relating to the OPCOs structures will be adopted or if adopted, what they would provide. If the Company or its OPCOs are found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have discretion to take action in dealing with such violations or failures in accordance with relevant PRC laws and regulations, including:

- revoking the Group's business and operating licenses;
- discontinuing or restricting the Group's operations;

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## LETTER FROM THE BOARD

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- imposing fines or confiscating any of the Group's income that they deem to have been obtained through illegal operations;
- imposing conditions or requirements with which the Company or the OPCOs may not be able to comply;
- requiring the Group or the OPCOs to restructure the relevant ownership structure or operations; or
- taking other regulatory or enforcement actions in accordance with relevant PRC laws and regulations.

The imposition of any of these penalties could have a material and adverse effect on the Group's business, financial condition and results of operations. If any of these penalties results in the Group's inability to direct the activities of any of the OPCOs that most significantly impact its economic performance, and/or the Group's failure to receive the economic benefits from any of the OPCOs, the Company may not be able to consolidate the entity in its consolidated financial statements.

The Company cannot guarantee the Shareholders that future laws and regulations will not provide for contractual arrangements as a form of such foreign investment. Therefore, there can be no assurance that the Company's control over the OPCOs through the Contractual Arrangements will not be deemed as foreign investment in the future. In the event that any possible implementing regulations of the Foreign Investment Law, or any other future laws, administrative regulations or provisions deem contractual arrangements as a means of foreign investment, or as otherwise in violation of such laws, administrative regulations or provisions, the Contractual Arrangements may be deemed as invalid and illegal, and the Group may be required to unwind the contractual arrangements and/or dispose of any affected business. Also, if future laws, administrative regulations or provisions mandate further actions to be taken with respect to the Contractual Arrangements, the Group may face substantial uncertainties as to whether the Group can complete such actions in a timely manner, or at all.

### **Certain terms of the Contractual Arrangements may not be enforceable under PRC laws**

The Contractual Arrangements provide that the arbitration tribunal may award remedies over the shares and/or assets of the OPCOs or injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of the OPCOs, and any party may apply to the courts of Hong Kong, Bermuda (being the place of incorporation of the Company) and China (being the place of incorporation of the OPCOs and the place where the principal assets of the WFOEs or the OPCOs are located) for interim remedies or injunctive relief. However, pursuant to the PRC laws, the arbitration tribunal may have no power to grant the aforementioned remedies or injunctive relief or to order the winding up of the OPCOs. As a result, in the event that the OPCOs or the Registered Owner breach(es) the terms of the Contractual Arrangements, Damai WFOE may not be able to obtain sufficient remedies in a timely manner, and its ability to exert effective control over the OPCOs could be materially and adversely affected.

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## LETTER FROM THE BOARD

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### **The Contractual Arrangements may not be as effective in providing control over the OPCOs as equity ownership**

The Group has relied and expects to continue to rely on the Contractual Arrangements with the OPCOs and the Registered Owner to operate the Restricted Businesses. If the Company had equity ownership of the OPCOs, the Company would be able to exercise its rights as a shareholder to effect changes in the board of directors of the OPCOs, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. However, under the Contractual Arrangements, the Group relies on the performance by the OPCOs and the Registered Owner of their obligations under the contracts to exercise control over the OPCOs. However, the Registered Owner may not act in the best interests of the Group or may not perform its obligations under these contracts. Such risks exist throughout the period in which the Group intends to operate its business through the Contractual Arrangements with the OPCOs. The Company may replace the registered owner of the OPCOs at any time pursuant to the Contractual Arrangements with the OPCOs and the Registered Owner. However, if any dispute relating to these contracts remains unresolved, the Group will have to enforce its rights under these contracts through the operation of PRC law and courts and will be subject to uncertainties with respect to the outcome of such disputes. Therefore, the Contractual Arrangements with the OPCOs may not be as effective in ensuring the Company's control over the relevant portion of its business operations as equity ownership would be.

### **Any failure by the OPCOs or the Registered Owner to perform their obligations under the Contractual Arrangements would potentially lead to the Group having to incur additional costs and expend material resources to enforce such arrangements, and/or temporary or permanent loss of control over the Restricted Businesses and the revenue from these businesses**

If the OPCOs or the Registered Owner fail to perform their respective obligations under the Contractual Arrangements, the Group may have to incur additional costs and expend material resources to enforce such arrangements, and/or this may lead to the Group's temporary or permanent loss of control over the Restricted Businesses and the revenue from these businesses. The Group may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and claiming damages, which the Company cannot guarantee the Shareholders will be effective. For example, if the Registered Owner refuses to transfer its equity interest in the OPCOs to the Company or its designee when Damai WFOE exercises the purchase option pursuant to the Contractual Arrangements, or if it otherwise acts in bad faith towards the Group, the Group may have to take legal actions to compel it to perform its contractual obligations. In the event the Group is unable to enforce the Contractual Arrangements, the Company may not be able to exert effective control over the OPCOs, and the Group's ability to conduct its businesses may be negatively affected, which may have a material and adverse effect on the Group's financial condition and results of operations.

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## LETTER FROM THE BOARD

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**The Registered Owner may have potential conflicts of interest with the Group, which may materially and adversely affect the Group's business and financial condition**

The Registered Owner may have potential conflicts of interest with the Group. The Registered Owner may breach, or cause the OPCOs to breach, or refuse to renew, the Contractual Arrangements the Group has with them and the OPCOs, which would have a material and adverse effect on the Company's ability to effectively control its consolidated affiliated entities and receive substantially all the economic benefits from it. The Company cannot guarantee the Shareholders that when conflicts of interest arise, the Registered Owner will act in the best interests of the Group or such conflicts will be resolved in the Group's favor. If the Group cannot resolve any conflict of interest or dispute between the Group and the Registered Owner, the Group would have to rely on legal proceedings, which could result in disruption of its business and subject the Group to substantial uncertainty as to the outcome of any such legal proceedings.

**The Contractual Arrangements may subject the Company to scrutiny by the PRC tax authorities and may result in a finding that the Company owes additional taxes or is ineligible for tax exemptions, or both, which could substantially increase taxes owed and thereby reduce profit attributable to equity shareholders of the Company**

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. The Company could face material and adverse tax consequences if the PRC tax authorities determine that the Structured Contracts entered into with the OPCOs do not represent an arm's-length price and adjust any of those entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could increase tax liabilities of the Company. In addition, PRC tax authorities may form the view that the OPCOs have improperly minimized their tax obligations, and the Company may not be able to rectify any such incident within the limited timeline required by PRC tax authorities. As a result, the PRC tax authorities may impose late payment fees and other penalties on the Company for underpaid taxes in accordance with relevant PRC laws and regulations, which could materially and adversely affect business, financial condition and results of operations of the Company.

**If any of Damai WFOE or OPCOs becomes the subject of a bankruptcy or liquidation proceeding, the Company may lose the ability to use and enjoy certain important assets, which could materially and adversely affect its businesses**

The OPCOs contribute a substantial portion of the Group's revenue. The Contractual Arrangements contain terms that specifically obligate the Registered Owner to ensure the valid existence of the OPCOs and restrict the disposition of material assets or any equity interest of the OPCOs. However, in the event the Registered Owner breaches the terms of the Contractual Arrangements and voluntarily liquidates the OPCOs, or the OPCOs declare bankruptcy and all or part of its assets become subject to liens or rights of third-party creditors, or are otherwise disposed of without the Company's consent, the Group may be unable to operate some or all of its business, which could have a material adverse effect on the Group's business, financial condition and results of operations. Furthermore, if any of the OPCOs undergoes a voluntary or involuntary liquidation proceeding, its equity holders or unrelated third-party creditors may claim rights to some or all of the assets of the OPCOs, thereby hindering the Group's ability to operate its business as well as constraining its growth.

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## LETTER FROM THE BOARD

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### **The Company's exercise of the option to acquire the equity interests of the OPCOs may be subject to certain limitations and the ownership transfer may incur substantial costs**

In case Damai WFOE exercises its option to acquire all or part of the equity interest in the OPCOs under the relevant exclusive option agreement, such acquisition may only be conducted to the extent as permitted by the applicable PRC laws and will be subject to necessary approvals or relevant procedures under applicable PRC laws. In addition, the aforementioned acquisitions may be subject to a permissible minimum price (such as an appraised value for the equity interest in the OPCOs) or other limitations as imposed by applicable PRC laws. Further, a substantial amount of other costs (if any) and time may be involved in acquiring and transferring the ownership of the OPCOs, which may have a material adverse impact on Damai WFOE and/or the Company's businesses, prospects and profitability.

### **The Company does not have any insurance which covers the risks relating to the Contractual Arrangements and the transactions contemplated thereunder**

The insurance of the Group does not cover the risks relating to the Contractual Arrangements and the transactions contemplated thereunder and the Company has no intention to purchase any new insurance in this regard. If any risk arises from the Contractual Arrangements in the future, such as those affecting the enforceability of the Contractual Arrangements and the relevant agreements for the transactions contemplated thereunder and the operation of Contractual Arrangements, the results of the Group may be adversely affected. However, the Group will monitor the relevant legal and operational environment from time to time to comply with the applicable laws and regulations. The Company will continue evaluating the feasibility, cost and benefit of insuring the transactions contemplated under the Contractual Arrangements.

## **IX. FINANCIAL EFFECT OF THE TRANSACTION ON THE GROUP**

Upon Closing, the Company will hold the entire issued share capital of the Target Company which indirectly holds the entire issued share capital of Damai WFOE and through the Structured Contracts, has effective control over the financing and operations of the OPCOs, and enjoy the economic interest and benefits of the OPCOs. Pursuant to the Structured Contracts, Damai WFOE is able to control the finance and operation of the OPCOs so as to obtain the economic interest and benefits from its business activities despite the lack of registered equity ownership. The Company has discussed with the auditors of the Company which have confirmed that under the prevailing accounting principles of the Company, the Company has the right to consolidate the financial results of the OPCOs in its consolidated accounts as if it were a subsidiary of the Target Company.

## **X. REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Company strives to implement a dual-drive strategy featuring "content + technology". Built upon the successful collaboration with Damai through "Taomai VIP" membership system, the Acquisition will further reinforce the Company's strategy, allowing the Company to provide customers with first-class entertainment experiences across film, concerts, music festivals and other events, and develop into the flagship offline entertainment platform of Alibaba Digital Media and Entertainment Group.

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## LETTER FROM THE BOARD

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The Company believes that the acquisition of the Target Business will enable it to: (a) gain additional exposure across various forms of live entertainment, capture strong momentum post the pandemic, and thereby developing into flagship offline entertainment platform of Alibaba Digital Media and Entertainment Group; (b) solidify competitive strength by leveraging and integrating resources and know-how in offline entertainment industry; (c) further diversify revenue streams and achieve sustainable growth; (d) further expand channels for IP monetization leveraging live entertainment formats, and (e) improve operational efficiency and enhance corporate governance by reducing continuing connected transactions with Alibaba Group.

Before the Acquisition, Damai Development entered into the Operation Services Agreement, pursuant to which, Zhonglian Shengshi has agreed to exclusively provide full range of operation services to Damai Development and/or its affiliates, including (i) entering into business cooperation agreements (the “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 Damai Development and/or its affiliates; (ii) exercising rights (including rights to defend or initiate litigation proceedings or arbitration in the name of Damai Development 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 Damai Development and/or its affiliates under the Business Agreements; (iii) managing, maintaining, developing or upgrading the ticketing system and sales channels operated by Damai Development, its affiliates or independent working parties; and (iv) providing other administrative management services and personnel support as required by Damai Development and/or its affiliates. After Closing, Damai Development will become part of the Group, hence, the Company will terminate the Operation Services Agreement and subsequently cease the continuing connected transactions contemplated under the Operation Services Agreement.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Share Purchase Agreement and the Structured Contracts are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

### **XI. TRADING PROSPECT AFTER THE ACQUISITION**

By acquiring the Target Business, the Company intends to leverage and integrate resources and industry know-how, and further expand along the live entertainment industry value chain, such as events production and promotion, artist management and event venue operations businesses. With the government started to ease pandemic restrictions and resumption of offline entertainment events, and following consolidation in ticketing services industry, the OPCOs’ business has begun to recover materially. The Group after the Acquisition aims to bring along the following prospects, which will offer unique investment value.

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## LETTER FROM THE BOARD

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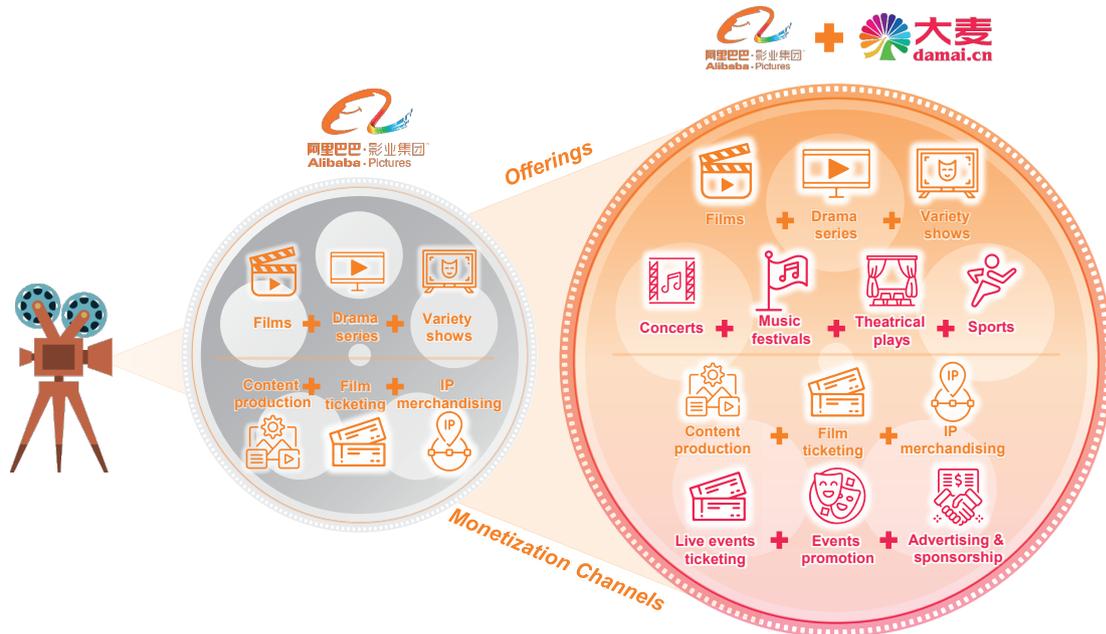
### The New Alibaba Pictures Group – The flagship offline entertainment platform of Alibaba Digital Media & Entertainment with unique value propositions

- 1** Flagship offline entertainment platform of Alibaba Digital Media & Entertainment with comprehensive industry coverage and resources integration
- 2** Damai is the proven leader in live entertainment with massive potential to expand presence along industry chain
- 3** Leading film content and IP integration capability – creating premium and differentiated content to improve return on investment (“ROI”)
- 4** Active and loyal consumer base cultivated through Taomai membership
- 5** Omni-channel monetization of film and live entertainment through unified commercialization platform
- 6** Frontier technology that empowers industry-wide infrastructure and services

# LETTER FROM THE BOARD

1

The flagship offline entertainment platform of Alibaba Digital Media & Entertainment with comprehensive industry coverage and resources integration



2

Damai is the leader in live entertainment with massive potential to expand presence along industry chain

**China's leading provider of live entertainment**

<b>100mm</b> registered users <sup>1</sup>	<b>10mm</b> Peak DAU <sup>1</sup>	<b>1.8mm</b> shows and sports events served <sup>1</sup>	<b>7,700</b> event venues coverage <sup>1</sup>
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**Leverage existing leadership in ticketing to expand presence along industry value chain**

The New Alibaba Pictures Group is well-positioned **to further deepen competitive moat** by leveraging access to exclusive resources, diversifying business footprint, and expanding industry presence

Note: <sup>1</sup> As of Aug 2023

# LETTER FROM THE BOARD

## 3

### Leading film content and IP integration capability – creating premium and differentiated content to improve ROI

**Strategic focus on premium hit content**

**RMB16.3bn**  
total box office in fiscal year 2023

**26 films** produced & distributed in fiscal year 2023

**12 films** ranked among top 20 in box office<sup>1</sup>

**Proven track record of high ROI and cost efficiency**

**Lost in the Stars**



Highest-grossing domestic crime film

**Moon Man**



Highest comedy box office in Mainland China in 2022

**The Wandering Earth 2**



Highest first-day box office during 2023 Chinese New Year holiday

**Damai acquisition will further diversify offline entertainment offerings**

**Maiive**



Joint-production of quality theatrical plays

**Original theatrical & musicals brand**



**Damai original music brand**



**Xiami Music Festival**



**TFBOYS Concert**



**Self-produced drama series**








**Films and dramas released**

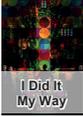







**Films and drama reserves**






Note: <sup>1</sup> Among domestic films released in the same period

## 4

### Active and loyal consumer base cultivated through Taomai membership

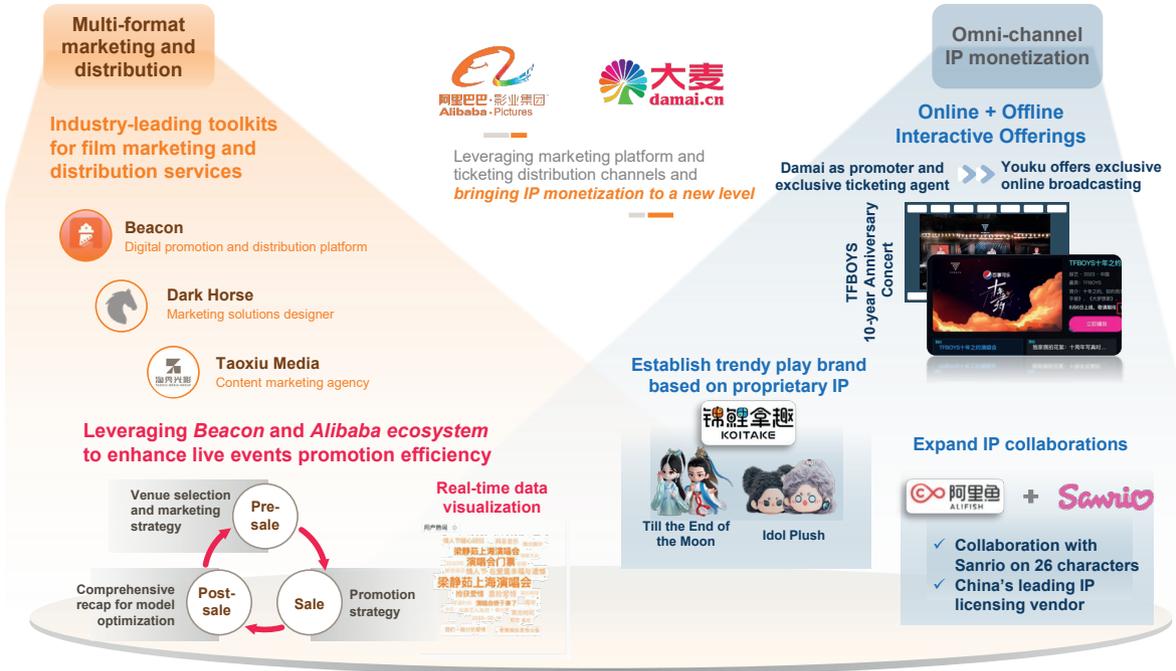


Note: <sup>1</sup> YoY increase in number of Taomai membership, as of Aug 15, 2023

# LETTER FROM THE BOARD

## 5

### Omni-channel monetization of film and live entertainment through unified commercialization platform



## 6

### Frontier technology that empowers industry-wide infrastructure and services

#### Expanding AI Generated Content (AIGC) and Innovations

**AIGC as Game-changer to Enhance Production Productivity**

- Content creation
- Script generation
- Virtual character
- Scene setting
- Marketing plan
- .....

**~3x increase in digital assets production efficiency**

**Innovative Virtualization**

Examples: MLB World Series, Samsung Metaverse Concert, Beyond Expo.

#### Wide Application of Data Analytics and Management

**Exploring Business Potential of Artists**

Artists potential + Data analytics > Tips for improvement

**Content Production Efficiency Management**

Digital product covering the entire production process and scenarios (Cloud Production)

- Shooting management
- Production crew management
- Finance management
- Live event management

**300+ Pan-entertainment projects<sup>1</sup> 30% Efficiency<sup>2</sup>↑**

#### Tech-empowered Cinema and Venue Operations

**Cinema Empowerment and Upgrade**

Cloud-based solution for intelligent cinema operations

Leading cinema coverage (4,500+)<sup>3</sup> ~35% market share<sup>3</sup>

**Safeguard Events Operations**

Damai continuously develops the latest ticketing technology and smart hardware to enhance user experience while ensuring events safety

Peak visits **2 million** queries per second<sup>4</sup> Peak DAU **10 million<sup>4</sup>**

Digital platform for one-stop venue facility management

Note: <sup>1</sup> Fiscal year 2023; <sup>2</sup> Efficiency increase is measured based on the feedback from the production crew on the comparison of time consumption before and after using the Cloud Production; <sup>3</sup> As of May 2023; <sup>4</sup> Between Apr 2023 to Aug 2023

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## LETTER FROM THE BOARD

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### Future development strategies

- 1** Further expand presence across industry chain (such as venue operation, artist management and events production) – by securing content supply to build business differentiation, scale advantage and competitive barriers
- 2** Attract sponsors base, expand monetization and revenue by establishing brand awareness as Alibaba Digital Media & Entertainment's flagship offline entertainment platform
- 3** Create powerful portal for offline entertainment events by leveraging Alibaba's Digital Media & Entertainment platform
- 4** Actively seek acquisitions, investments and collaboration opportunities domestically and abroad
- 5** Explore overseas expansion opportunities by leveraging Damai's leading execution capabilities, experiences and technological expertise

### LISTING RULES IMPLICATIONS

#### 1. Acquisition

As of the Latest Practicable Date, Alibaba Holding is the ultimate shareholder of Ali CV, which is a controlling shareholder and a connected person of the Company holding approximately 50.0007% of the issued share capital of the Company (i.e. 13,488,058,846 Shares), and the Target Company is directly held by the Seller and is indirectly held by Alibaba Holding as to more than 30% of its equity interest. Therefore, the Seller is an associate of Ali CV and thus a connected person of the Company. As such, the Acquisition and the transactions contemplated under the Share Purchase Agreement should constitute a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition and the transactions contemplated under the Share Purchase Agreement exceed 5% but all of them are less than 25%, the Acquisition constitutes a discloseable and connected transaction for the Company under Chapter 14 and Chapter 14A of the Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirement under the Listing Rules.

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## LETTER FROM THE BOARD

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As each of Mr. Fan Luyuan, Mr. Meng Jun and Mr. Tung Pen Hung serves positions in Alibaba Holding or its subsidiaries, and Mr. Li Jie takes up a management role in a subsidiary of Alibaba Holding, they are deemed or may be perceived to have a material interest in the Acquisition, the Share Purchase Agreement and the Contractual Arrangements and the transactions contemplated thereunder. Accordingly, they have abstained from voting on the related Board resolutions. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, there are no other Directors who has any material interest in the above transactions.

### **2. Contractual Arrangement**

As Alibaba Holding obtains effective control over, and receives all the economic benefits of the Registered Owner under other VIE arrangement, the Registered Owner is consolidated into the financial statements of Alibaba Holding for accounting treatment purposes. As such, the Registered Owner, being an associate of Alibaba Holding (which in turn is the ultimate controlling shareholder and a connected person of the Company), was or is, as the case may be, a connected person of the Company. Therefore, the continuing transactions under the Contractual Arrangements should constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules, and such transactions should be subject to all applicable reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

However, the Directors (including the independent non-executive Directors) are of the view that it is inappropriate for the Company to (a) set an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules; or (b) limit the term of the Contractual Arrangements to a fixed term under Rule 14A.52 of the Listing Rules on the following grounds:

- (a) the Contractual Arrangements and the transactions contemplated thereunder are fundamental to the Group's legal structure and business operations as the adoption of the Contractual Arrangements enables the Group to continue, through the WFOEs, to maintain effective control over, and receive all the economic benefits generated by, the businesses operated by the OPCOs and operate the Restricted Businesses;
- (b) the Contractual Arrangements are entered into for the benefit of the Group. Unlike typical connected transactions, since the Registered Owner acts as shareholder of the OPCOs to facilitate the arrangements whereby economic benefits from the OPCOs are transferred to the Company, there is no concern of leakage of economic benefits to connected persons to the detriment of minority shareholders of the Company under the Contractual Arrangements;
- (c) the Directors (including independent non-executive Directors) consider that the Contractual Arrangements are on normal commercial terms or on terms more favorable to the Group, in the ordinary and usual course of business of the Group and are fair and reasonable or to the advantage of the Group, and are in the interests of the Company and the Shareholders as a whole;

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## LETTER FROM THE BOARD

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- (d) the Contractual Arrangements will be approved by the Independent Shareholders at the general meeting of the Company. In particular, in the circular to be dispatched to the Independent Shareholders, the Independent Financial Adviser would have advised the Independent Shareholders on, among other things, the terms of the Structured Contracts, including but not limited to the absence of annual cap and fixed term. As such, the Independent Shareholders has been given an opportunity to consider and vote on the Contractual Arrangements and the transactions contemplated thereunder after having benefit of the recommendation of the Independent Financial Adviser on the Contractual Arrangements and the transactions contemplated thereunder; and
- (e) taking into account (i) the transactions are fundamental to the Group's legal structure in holding the OPCOs and the management of the Restricted Businesses of the OPCOs in the PRC, (ii) the transactions contemplated under the Contractual Arrangements are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and (iii) the Independent Shareholders has been given a chance to vote on the Contractual Arrangements and the transactions contemplated thereunder having received recommendation from the Independent Financial Adviser, there is no presumption of undue influence that justifies an additional layer of check and balance prescribed by the Listing Rules. It is impractical and unduly burdensome and adds to the additional cost and administrative burden on the Company to require the Company to comply with the annual cap and a fixed term requirements which may be otherwise detrimental to the commercial interest of the Company as set out in (a) above.

### **3. Application for Waivers from Strict Compliance with Chapter 14A of the Listing Rules**

The Company has applied for, and the Stock Exchange has granted, a waiver (the "Waiver") from strict compliance with (i) the requirement of setting an annual cap for the transactions under the Structured Contracts under Rule 14A.53 of the Listing Rules, and (ii) the requirement of fixing a definite term of the Structured Contracts under Rule 14A.52 of the Listing Rules, for so long as the shares of the Company are listed on the Stock Exchange subject to the following conditions:

***(a) No change without independent non-executive Directors' approval***

No change to the Contractual Arrangements will be made without the approval of the independent non-executive Directors of the Company.

***(b) No change without independent shareholders' approval***

Save as disclosed in paragraph (d) below, no change to the agreements governing the Contractual Arrangements will be made without the approval of the Shareholders who are not required to abstain from voting in favor of the resolution for approving the proposed resolutions under the Listing Rules. Once Independent Shareholders' approval of any change has been obtained, no further announcement or approval of the Independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of the Company will however continue to be applicable.

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## LETTER FROM THE BOARD

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***(c) Economic benefits and flexibility***

The Contractual Arrangements shall continue to enable the Group to receive the economic benefits derived by the OPCOs and its subsidiaries through (i) the options (if and when so allowed under the applicable PRC laws) to acquire, all or part of the entire equity interests in the OPCOs for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations, (ii) the business structure under which the profit generated by the OPCOs and its subsidiaries is substantially retained by the Group, such that no annual cap shall be set on the amount of service fees payable to Damai WFOE by the OPCOs under the Contractual Arrangements and (iii) the Group's right to control the management and operation of, as well as, in substance, all of the voting rights of the OPCOs.

***(d) Renewal and reproduction***

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between Damai WFOE and the OPCOs, that framework may be renewed and/or reproduced without obtaining the approval of Shareholders: (i) upon the expiry of the existing arrangements, or (ii) in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company), engaging in a business same as those of the Target Group. Such renewal and/or reproduction is justified by business expediency. The directors, chief executive or substantial shareholders of any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of the Target Group which the Target Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, however, be treated as connected persons of the Target Group and transactions between these connected persons and the Target Group other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals. Any renewed or reproduced framework will be on substantially the same terms and conditions as the existing Contractual Arrangements.

***(e) On-going reporting and approvals***

The Group will disclose details relating to the Contractual Arrangements on an on-going basis as follows:

- (i) the Contractual Arrangements in place during each financial period will be disclosed in the Company's annual report in accordance with relevant provisions of the Listing Rules;

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## LETTER FROM THE BOARD

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- (ii) the independent non-executive Directors will review the Contractual Arrangements annually and confirm in the Company's annual report for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by the OPCOs to the Registered Owner, which are not otherwise subsequently assigned or transferred to the Group, and (iii) any new contracts entered into, renewed or reproduced between the Group and the OPCOs and its subsidiaries during the relevant financial period above are fair and reasonable, or advantageous to the Shareholders, so far as the Group is concerned and in the interests of the Shareholders as a whole;
- (iii) the Company's auditors will carry out procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to the Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of the Directors and have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by the OPCOs to the Registered Owner which are not otherwise subsequently assigned or transferred to the Target Group;
- (iv) for the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", each of the OPCOs will be treated as the Company's wholly-owned subsidiary, but at the same time, the directors, chief executives or substantial shareholders of each of the OPCOs and their respective associates will be treated as connected persons of the Company as applicable under the Listing Rules (excluding for this purpose, the OPCOs), and transactions between these connected persons and the Group (including for this purpose, the OPCOs), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules; and
- (v) the OPCOs will undertake that, for so long as the Shares are listed on the Stock Exchange, the OPCOs will provide the Group's management and the Company's auditors full access to their relevant records for the purpose of the Company's auditing procedures with regard to the connected transactions.

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## LETTER FROM THE BOARD

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### XII. SGM

A notice convening the SGM to be held on Tuesday, October 31, 2023 at 11:00 a.m. at Room Salon, Eaton Club Central at 5/F, Champion Tower, 3 Garden Road, Central, Hong Kong is set out on pages 84 to 86 of this circular. Ordinary resolutions will be proposed at the SGM to consider and, if thought fit, to approve the Acquisition (including the entering into of the Share Purchase Agreement and the issue and allotment of Consideration Shares under specific mandate) and the Contractual Arrangements.

As of the Latest Practicable Date, Ali CV and its associates were interested in an aggregate of 13,488,058,846 Shares, representing approximately 50.0007% of the total issued share capital of the Company. Ali CV and its associates will be required to abstain from voting for the relevant resolutions approving the Acquisition, the Share Purchase Agreement and the Contractual Arrangements and the transactions contemplated thereunder at the SGM. Save as disclosed above, no Shareholder has a material interest in the resolution in respect of the Acquisition, the Share Purchase Agreement and the Contractual Arrangements and the transactions contemplated thereunder.

Pursuant to Rule 17.05A of the Listing Rules, the Trustee holding unvested shares of a share scheme, whether directly or indirectly, shall abstain from voting on matters that require Shareholders' approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given. The Trustee will be required to abstain from voting for the relevant resolutions approving the Acquisition, the Share Purchase Agreement and the Contractual Arrangements at the SGM.

Given that Mr. Fan Luyuan and Mr. Meng Jun (each a Director) also serve positions in Alibaba Holding or its subsidiaries, and Mr. Li Jie is currently taking up a management role in a subsidiary of Alibaba Holding, an associate of Ali CV, they have voluntarily abstained from voting on the relevant resolutions approving the Acquisition, the Share Purchase Agreement and the Contractual Arrangements and the transactions contemplated thereunder at the SGM for good corporate governance.

Pursuant to the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the proposed resolutions will be put to vote by way of poll at the SGM. An announcement on the poll vote results will be made by the Company after the SGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

A form of proxy for the SGM is enclosed with this circular. If you are not able to attend the SGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof should you so desire.

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## LETTER FROM THE BOARD

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The record date for determining the entitlement of the Shareholders to attend and vote at the SGM will be Thursday, October 26, 2023. 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, October 25, 2023.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders on the terms of the Acquisition, the Share Purchase Agreement, the Contractual Arrangements and the transactions contemplated thereunder. The Company has appointed Altus Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### **XIII. RECOMMENDATIONS**

Your attention is drawn to (i) the letter of advice from the Independent Board Committee to the Independent Shareholders on the Acquisition, the Share Purchase Agreement, the Contractual Arrangements and the transactions contemplated thereunder; and (ii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Acquisition, the Share Purchase Agreement, the Contractual Arrangements and the transactions contemplated thereunder. 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 of the Independent Financial Adviser), is of the view that the terms of the Acquisition, the Share Purchase Agreement and the Contractual Arrangements are fair and reasonable, and on normal commercial terms, in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole. The Board recommends the Independent Shareholders to vote in favor of the ordinary resolutions relating thereto at the SGM.

### **XIV. 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*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter of the Independent Board Committee to the Independent Shareholders in respect of the Acquisition, the Share Purchase Agreement, the Contractual Arrangements and the transactions contemplated thereunder for inclusion in this circular.*



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

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1060)**

October 16, 2023

*To the Independent Shareholders,*

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO THE ACQUISITION OF THE SALE SHARES INVOLVING  
ISSUE OF CONSIDERATION SHARES;  
AND  
(2) CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO THE CONTRACTUAL ARRANGEMENTS**

We refer to the circular of the Company dated October 16, 2023 (the “Circular”) of which this letter forms part. Terms defined in the Circular shall carry the same meanings when used in this letter unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Acquisition, the Share Purchase Agreement and the Contractual Arrangements and the transactions contemplated thereunder are entered into by the Group in its ordinary and usual course of business, on normal commercial terms, in the interests of the Company and the Shareholders as a whole, and are fair and reasonable so far as the Independent Shareholders are concerned. Altus Capital has been appointed 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 on pages 7 to 52 of the Circular, which sets out details of the transactions contemplated under the Acquisition, the Share Purchase Agreement and the Contractual Arrangements. We also wish to draw your attention to the letter from the Independent Financial Adviser set out on pages 55 to 79 of the Circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Acquisition, the Share Purchase Agreement and the Contractual Arrangements and the transactions contemplated thereunder.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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After taking into account the advice of the Independent Financial Adviser, we consider that the terms of the Acquisition, the Share Purchase Agreement and the Contractual Arrangements and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. We further consider that the Acquisition, the Share Purchase Agreement and the Contractual Arrangements and the transactions contemplated thereunder are in the ordinary and usual course of the business of the Group and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favor of the ordinary resolutions to be proposed at the SGM to approve the Acquisition, the Share Purchase Agreement and the Contractual Arrangements and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of the  
**Independent Board Committee**

**SONG Lixin**  
*Independent*  
*non-executive Director*

**TONG Xiaomeng**  
*Independent*  
*non-executive Director*

**Johnny CHEN**  
*Independent*  
*non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice from Altus Capital Limited to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Share Purchase Agreement and Contractual Arrangement, which has been prepared for the purpose of incorporation in the Circular.*

# ALTUS

Altus Capital Limited  
21 Wing Wo Street  
Central  
Hong Kong

16 October 2023

*To the Independent Board Committee and the Independent Shareholders*

**Alibaba Pictures Group Limited**

26/F Tower One  
Times Square  
1 Matheson Street  
Causeway Bay, Hong Kong

Dear Sir and Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO THE ACQUISITION OF THE SALE SHARES  
INVOLVING ISSUE OF CONSIDERATION SHARES;**

**AND**

**(2) CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO THE NEW CONTRACTUAL ARRANGEMENTS**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Share Purchase Agreement and Contractual Arrangement. Details of the Acquisition and Contractual Arrangement are set out in the “Letter from the Board” contained in the circular of the Company dated 16 October 2023 (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein or required by the context.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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On 19 September 2023, the Company (as the Purchaser) and Alibaba Investment (as the Seller) entered into the Share Purchase Agreement, pursuant to which the Purchaser had conditionally agreed to acquire and the Seller had conditionally agreed to sell, at Closing, the Sale Shares of the Target Company (which represents 100% of the total issued and outstanding share capital of the Target Company). The aggregate consideration shall be US\$167 million (equivalent to approximately HK\$1,307 million) and shall be satisfied by the Company allotting and issuing to the Seller 2,513,028,847 Consideration Shares at an Issue Price of HK\$0.52 per Consideration Share at Closing. On 28 August 2023, the OPCOs, Damai WFOE and the Registered Owner entered into the Structured Contracts.

### LISTING RULES IMPLICATIONS

#### Acquisition

As at the Latest Practicable Date, Alibaba Holding is the ultimate shareholder of Ali CV, which is the controlling shareholder and a connected person of the Company holding approximately 50.0007% of the issued share capital of the Company (i.e. 13,488,058,846 Shares), and the Target Company is directly held by the Seller and is indirectly held by Alibaba Holding as to more than 30% of its equity interest. Therefore, the Seller is an associate of Ali CV and thus a connected person of the Company. As such, the Acquisition and the transactions contemplated under the Share Purchase Agreement should constitute a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition and the transactions contemplated under the Share Purchase Agreement exceed 5% but all of them are less than 25%, the Acquisition constitutes a discloseable and connected transaction for the Company under Chapter 14 and Chapter 14A of the Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirement under the Listing Rules.

#### Contractual Arrangements

Alibaba Holding obtains effective control over, and receives all the economic benefits of the Registered Owner under other VIE arrangement, the Registered Owner is consolidated into the financial statements of Alibaba Holding for accounting treatment purposes. As such, the Registered Owner, being an associate of Alibaba Holding (which in turn is the ultimate controlling shareholder and a connected person of the Company), was or is, as the case may be, a connected person of the Company. Therefore, the continuing transactions under the Contractual Arrangements should constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules, and such transactions should be subject to all applicable reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 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 have been formed to advise the Independent Shareholders as to whether the terms of the Acquisition, the Share Purchase Agreement and Contractual Arrangements and the transactions contemplated thereunder are entered into by the Group in its ordinary and usual course of business, on normal commercial terms, in the interests of the Company and the Shareholders as a whole, and are fair and reasonable so far as the Independent Shareholders are concerned; and how the Independent Shareholders should vote in respect of the proposed resolutions at the SGM to approve the Acquisition, Share Purchase Agreement and Contractual Arrangements and the transactions contemplated thereunder, taking into account the recommendation from the Independent Financial Adviser.

### THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Acquisition, the Share Purchase Agreement and Contractual Arrangements and the transactions contemplated thereunder are entered into by the Group in its ordinary and usual course of business, on normal commercial terms, in the interests of the Company and the Shareholders as a whole, and are fair and reasonable so far as the Independent Shareholders are concerned; and how the Independent Shareholders should vote in respect of the proposed resolutions at the SGM to approve the Acquisition, Share Purchase Agreement and Contractual Arrangements and the transactions contemplated thereunder.

We acted as the independent financial adviser for the Company with regards to the continuing connected transactions in relation to contractual arrangements, details of which were set out in the announcement of the Company dated 30 June 2023. Save for the aforesaid transaction, we have not acted as the independent financial adviser or financial adviser in relation to any transactions of the Company in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the transactions contemplated under the Share Purchase Agreement and Contractual Arrangements is at market level and not conditional upon successful passing of the resolutions, and that our engagement is on normal commercial terms, we are independent of the Company.

### BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others, (i) the Share Purchase Agreement; (ii) the Contractual Arrangements; (iii) the annual reports of the Company for the years ended 31 March 2023 and 31 March 2022 (the “FY2023 Annual Report” and “FY2022 Annual Report”) respectively; (iv) the unaudited financial information of the Target Group for the years ended 31 March 2023, 31 March 2022 and 31 March 2021; and (v) other information as set out in the Circular.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the “Management”). We have assumed that all the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and will continue to be so up to the date of the SGM. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading.

We consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business, financial conditions and affairs or future prospects of the Group.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

#### 1. Background information of the Group

##### *1.1 Principal business of the Group*

The Company was incorporated in Bermuda and the Shares are listed on the Main Board of the Stock Exchange. The Company is an investment holding company and the Group 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 Group includes three major segments: content, technology and IP merchandising and commercialisation. These segments encompass (i) investment in and production and distribution of entertainment content, such as film and drama series, both domestically and internationally; (ii) digitalisation 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.

##### *1.2 Financial information of the Group*

Set out below is a table summarising certain key financial information of the Group extracted from the FY2023 Annual Report and the FY2022 Annual Report.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Extract of consolidated statement of profit or loss and other comprehensive income*

	<b>For the year ended 31 March</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue	2,858,897	3,652,170	3,520,357
– Content	1,424,854	1,947,857	1,709,301
– Technology	1,126,963	1,264,058	1,267,539
– IP merchandising and commercialisation	307,080	440,255	543,517
Operating (loss)/profit	(107,528)	279,216	(220,972)
(Loss)/Profit for the year attributable to owners of the Company	(96,311)	169,853	(291,132)

*Extract of consolidated statement of financial position*

	<b>As at 31 March</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Total assets	15,540,882	15,576,698	15,571,638
Total liabilities	1,702,944	1,533,696	1,461,427
Total equity attributable to owners of the Company	13,786,321	14,017,107	14,069,835

*Year ended 31 March 2021 compared to year ended 31 March 2022*

The Group recorded revenue of approximately RMB3,652.2 million during the year ended 31 March 2022 (“FY2022”), representing an increase of approximately 27.7% from approximately RMB2,858.9 million during the year ended 31 March 2021 (“FY2021”). Such increase was due to the improvement in revenue generated from all of the three segments of the Group. For content segment, revenue increased significantly by approximately 36.7% from approximately RMB1,424.9 million in FY2021 to approximately RMB1,947.9 million in FY2022, as the Group continue to invest in high-quality films and content, such as “The Battle at Lake Changjin (長津湖)” and “My country, My parents (我和我的父輩)”, which ranked top 1 and 2 at the box office during the National Day holiday. For technology segment, revenue increased by approximately 12.2% from approximately RMB1,127.0 million in FY2021 to approximately RMB1,264.1 million in FY2022, which was mainly attributable to the improvement in platform ticketing and digitalisation businesses due to gradual recovery of the film market in the PRC. Lastly, for IP merchandising and commercialisation segment, revenue increased significantly by approximately 43.4% from approximately RMB307.1 million in FY2021 to approximately RMB440.3 million in FY2022 as more brands were being attracted to and participated in license cooperation with the Group.

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Due mainly to the improvement in revenue as discussed above, the Group turned around from an operating loss of approximately RMB107.5 million in FY2021 to an operating profit of approximately RMB279.2 million in FY2022. Similarly, the Group recorded a turnaround from a loss attributable to owners of the Company of approximately RMB96.3 million in FY2021 to a profit of approximately RMB169.9 million in FY2022.

The Group's total assets remained relatively stable at approximately RMB15,540.9 million and RMB15,576.7 million as at 31 March 2021 and 2022 respectively. In terms of liabilities, it decreased by approximately 9.9% from approximately RMB1,702.9 million as at 31 March 2021 to approximately RMB1,533.7 million as at 31 March 2022 mainly due to a decrease in trade and other payables and accrued charges by approximately 10.6% from approximately RMB1,252.3 million as at 31 March 2021 to approximately RMB1,119.9 million as at 31 March 2022. As a result of the above, equity attributable to owners of the Company increased slightly by approximately 1.7% from approximately RMB13,786.3 million as at 31 March 2021 to approximately RMB14,017.1 million as at 31 March 2022.

### *Year ended 31 March 2022 compared to year ended 31 March 2023*

The Group's revenue amounted to approximately RMB3,520.4 million during the year ended 31 March 2023 ("FY2023"), representing a slight decrease of approximately 3.6% from approximately RMB3,652.2 million in FY2022. Such decrease was mainly due to the decrease in revenue generated from the content segment; while partially offset by the increase in revenue generated from the IP merchandising and commercialisation segment. For content segment, revenue decreased by approximately 12.2% from approximately RMB1,947.9 million in FY2022 to approximately RMB1,709.3 million in FY2023 mainly due to the adverse impact brought about by COVID-19 pandemic on the film industry and consumer market in the PRC, as evidenced by the year-on-year decrease in total box office revenue in the Mainland China by approximately 26% in FY2023. For the technology segment, revenue remained stable at approximately RMB1,267.5 million in FY2023 as compared to approximately RMB1,264.1 million in FY2022. For IP merchandising and commercialisation segment, revenue increased by approximately 23.5% from approximately RMB440.3 million in FY2022 to approximately RMB543.5 million in FY2023, as the Group continued to acquire high-quality IPs and launching IP commercialised products.

Notwithstanding the largely stable revenue recorded by the Group in FY2023 as compared to the previous financial year, the Group incurred an operating loss of approximately RMB221.0 million in FY2023 as compared to an operating profit of approximately RMB279.2 million in FY2022, primarily due to loss on the Group's listed equity investments. Similarly, the Group incurred a loss attributable to owners of the Company of approximately RMB291.1 million in FY2023 as compared to a profit of approximately RMB169.9 million in FY2022.

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The Group's total assets remained relatively stable at approximately RMB15,576.7 million and RMB15,571.6 million as at 31 March 2022 and 2023 respectively. In terms of liabilities, it decreased slightly by approximately 4.7% from approximately RMB1,533.7 million as at 31 March 2022 to approximately RMB1,461.4 million as at 31 March 2023 mainly due to a further decrease in trade and other payables and accrued charges by approximately 3.2% from approximately RMB1,119.9 million as at 31 March 2022 to approximately RMB1,083.6 million as at 31 March 2023. As a result of the above, equity attributable to owners of the Company increased slightly by approximately 0.4% from approximately RMB14,017.1 million as at 31 March 2022 to approximately RMB14,069.8 million as at 31 March 2023.

### *1.3 Outlook and strategy of the Group*

As noted in the FY2023 Annual Report, against the backdrop of continued recovery of the cultural and entertainment industry, the Group will continue to adhere to its dual engine strategy featuring content and technology and to further increase its presence in the pan-entertainment industry. Looking ahead, the Group will continue to (i) make significant investments in a full range of entertainment content and improve its capabilities to produce a broader set of content, including film and drama series; (ii) expand the scope of its technology platform services and explore business opportunities associated with digital humans as well as business models for IP merchandising and commercialisation; and (iii) promote its collaboration and cooperation within the Alibaba Group's ecosystem to unlock the potential of "content + technology".

Overall, it is noted that despite market fluctuations caused by the COVID-19 pandemic, the Group has shown resilience in its financial performance and has maintained stable financial position which now provided it with the foundation and flexibility to conduct acquisition activities such as the Acquisition which suits the Group's development strategies and can underpin its future growth.

Based on the "Report on National Performance Market in the First Half of 2023 (2023年上半年全國演出市場簡報)" published by the China Association of Performing Arts (中國演出行業協會) on 6 July 2023, we noted that the live performances market in the PRC had experienced strong recovery and growth in the first half of 2023. Notably, the number of commercial performances nationwide (excluding entertainment venue performances) reached approximately 193,300, representing a year-on-year increase of approximately 400.9%. The Gross Merchandise Volume ("GMV") from these performances amounted to approximately RMB16.8 billion, representing a year-on-year growth of approximately 673.5%; while the total number of audiences reached approximately 62.2 million, representing an increase of over ten times compared to the same period in 2022. According to the Management, we noted that the Target Group recorded GMV growth of approximately 931% in the first half of 2023, surpassing the industry level as discussed above. We believe that the Target Group, being a leading player in this market, is well positioned to capture the strong recovery trend post pandemic.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2. Background information of the Target Group

#### 2.1 Principal business of the Target Group

The Target Group includes the Target Company and its subsidiaries, including Damai WFOE and the OPCOs. Damai WFOE is a company established under the laws of the PRC with limited liability which will enjoy the economic interests and benefits of the OPCOs through the Structured Contracts. As at the Latest Practicable Date, Damai WFOE is directly wholly-owned by the Target Company, being a company incorporated in the British Virgin Islands.

The Target Group is principally engaged in (i) the ticketing services for various live entertainment events, such as concerts, music festivals, live houses, plays, sports events and exhibitions; and (ii) the production and promotion of entertainment events and performances. The Target Group, operating under the trade name “Damai”, is a leading provider of live performances, including concerts, musical festivals, live house performances, plays, sports events and exhibitions in the PRC, and established the “Damai Brand”. The Target Group served over 1.8 million events and had over 100 million registered customers cumulatively.

For further information of the OPCOs, please refer to the paragraph headed “3. Damai WFOE and the OPCOs” under the section headed “III. INFORMATION ABOUT THE TARGET GROUP” in the “Letter from the Board” of the Circular.

#### 2.2 Financial information of the Target Group

Set out below is a table summarising certain key unaudited financial information of the Target Group for the three years ended 31 March 2023 prepared in accordance with U.S. GAAP.

	For the year ended 31 March		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)
Revenue	133,166	304,009	227,607
Net Loss	(576,775)	(141,169)	(229,193)
Adjusted Net Loss <sup>(note)</sup>	(321,609)	(138,030)	(99,418)

*Note: Adjusted net loss excludes (i) the impact of stock-based compensation; and (ii) the profit generated in the year ended 31 March 2023 in relation to the Operation Services Agreement. According to the “Letter from the Board” of the Circular, the Operation Services Agreement was entered into between Zhonglian Shengshi and Damai Development on 8 February 2022, and the Company expects to terminate the Operation Services Agreement after Closing.*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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During the three years ended 31 March 2023, majority of the Target Group's revenue were being generated from the provision of ticketing services for live entertainment events in the PRC. As a result, its revenue had been affected by the PRC's pandemic-related restrictive measures imposed on organisation of live events. The Target Group generated revenue of approximately RMB304.0 million in FY2022, representing a significant increase of approximately 128.3% from approximately RMB133.2 million in FY2021. Such increase was mainly due to the gradual easing of the COVID-19 pandemic situation during FY2022 as compared to the previous financial year when COVID-19 pandemic was at its peak in the PRC. As the negative effects of the COVID-19 pandemic again hit the PRC during FY2023, the Target Group's revenue decreased by approximately 25.1% to approximately RMB227.6 million.

The Target Group was loss making during the three years ended 31 March 2023. However, we noted that the adjusted net loss of the Target Group had improved from loss of approximately RMB321.6 million in FY2021 to loss of approximately RMB138.0 million in FY2022, and loss further narrowed to approximately RMB99.4 million in FY2023 mainly due to the combined effects of (i) improvement in revenue and gross profit as discussed above; and (ii) effective control of operating costs.

As advised by the Management, the Target Group had witnessed material recovery in business for the three months ended 30 June 2023 as the COVID-19 pandemic restrictions were relaxed and offline entertainment events resumed. For example, during the three months ended 30 June 2023, the Target Group recorded GMV of over RMB4 billion, which surpassed the GMV for the entire 12-month period over its financial year ended in 31 March 2023 of approximately RMB3 billion. On a quarter-to-quarter basis, GMV also increased by over 100% during the three months ended 30 June 2023.

### **3. Principal terms of the Share Purchase Agreement**

On 19 September 2023, the Company (as the Purchaser) and Alibaba Investment (as the Seller) entered into the Share Purchase Agreement, pursuant to which the Purchaser had conditionally agreed to acquire and the Seller had conditionally agreed to sell, at Closing, the Sale Shares of the Target Company (which represents 100% of the total issued and outstanding share capital of the Target Company). The aggregate consideration shall be US\$167 million (equivalent to approximately HK\$1,307 million) and shall be satisfied by the Company allotting and issuing to the Seller 2,513,028,847 Consideration Shares at an Issue Price of HK\$0.52 per Consideration Share at Closing.

For details of the principal terms of the Share Purchase Agreement, please refer to the "Letter from the Board" in the Circular. When considering the fairness and reasonableness of the terms of the Share Purchase Agreement, we have taken into account the following factors.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3.1 *The Consideration*

According to the Share Purchase Agreement, the aggregate consideration shall be US\$167 million (equivalent to approximately HK\$1,307 million), which was arrived at after arm's length negotiations between the Company and the Seller, taking into account various factors, including (i) the unique market leadership position of the Target Company as China's leading provider of live entertainment; (ii) the financial performance of the Target Company finely positioned to capture the strong recovery trend in China's live entertainment industry post pandemic; (iii) the growth potential in the scale and profitability of the Target Company, particularly the opportunity to diversify and expand presence along industry value chain, including events production and promotion, artists management and venue operation; (iv) the strategic value of the Target Company to the Company's business operations, diversifying revenue structure into live entertainment and expanding IP monetisation channels. The Acquisition would also strengthen the Company's competitive position by consolidating customer resources and the industry expertise from the Target Company; and (v) the enterprise value-to-sales ratios (the "EV/S Ratio(s)") of the Target Group and its comparable companies as at 18 September 2023 (being the date prior to the date of the Share Purchase Agreement), where the Implied EV/S Ratio (as defined below) is within the EV/S Ratio range of the Comparable Companies of approximately 2.81 times to 4.00 times.

To assess the fairness and reasonableness of the Consideration, we have identified listed companies engaging in similar businesses (in particular encompassing ticketing services in the PRC) of the Target Group (the "Acquisition Comparable Companies") and analysed their EV/S Ratios, which takes into account the differences in balance sheet positions between the Target Group and Acquisition Comparable Companies and is a commonly used valuation yardstick in conducting market comparable analysis. Since the Target Group had been loss-making, including during its most recent financial year; while its business is asset-light in nature, we considered that neither price-to-earnings ratio nor price-to-book ratio is applicable or appropriate. In selecting the Acquisition Comparable Companies, our selection criteria focused on companies that are (i) listed on the Stock Exchange; and (ii) engaged in the provision of ticketing services in the PRC. Whilst we noted that there are companies listed on overseas listing platforms which similarly engage in the provision of ticketing services, their principal operations target markets outside of the PRC (as opposed to the Target Group whose principal businesses are within the PRC). Given this difference, we are of the view that they are not suitable comparable companies for the purpose of assessing the fairness and reasonableness of the Consideration from valuation point of view. Based on publicly available information, we also did not notice any recent acquisition transactions that could serve as relevant reference for our comparable analysis.

Independent Shareholders should note that despite of the aforesaid criteria, the business and scale of operations of the Target Group are not exactly the same as those of the Acquisition Comparable Companies. While we have not conducted any in-depth investigation into the business and operations of the Acquisition Comparable Companies, we noted that their scope of ticketing services mainly targets movie goers while the Target Group mainly targets patrons of live entertainment events.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Comparable Companies below have been selected based on the above criteria, and have been identified through our research using public information. We believe it is an exhaustive list based on these criteria.

Stock code	Company name	Principal businesses	Enterprise value <sup>(1)</sup> (HK billion)	EV/S Ratio <sup>(2)</sup> (times)
1060	The Company	The Company is an investment holding company and the Group 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 commercialisation. These segments encompass (i) investment in and production and distribution of entertainment content, such as film and drama series, both domestically and internationally; (ii) digitalisation 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.	10.4	2.74
1896	Maoyan Entertainment	Maoyan Entertainment is a PRC-based company which mainly operates internet-empowered entertainment service platform. The company operates four segments. The online entertainment ticketing services segment offers online ticketing services for entertainment formats, such as movies and entertainment events. The entertainment content services segment operates an integrated platform to provide entertainment content services, ranging from distribution, promotion to production, for various entertainment formats including movies, TV series, web series, web movies, variety shows and entertainment events. The e-commerce services segment offers in-venue food and beverages pre-ordering service and IP-derivative merchandise sales online. The advertising services and others segment serves advertisers in both entertainment industry and other industries including automobile, electronics and consumer products.	7.3	2.92
			<b>Maximum</b>	<b>2.92</b>
			<b>Minimum</b>	<b>2.74</b>
			<b>Mean</b>	<b>2.83</b>
N/A	Target Group		0.9	3.89 <sup>(3)</sup>

Source: The website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

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*Notes:*

1. *The enterprise value of the Acquisition Comparable Companies are calculated based on (i) their respective market capitalisation as at the Latest Practicable Date (calculated based on their respective closing prices multiplied by the total number of issued shares as at the Latest Practicable Date); plus (ii) their respective total debts extracted from their respective latest published annual/interim reports/results announcements prior to the Latest Practicable Date; and minus (iii) their respective total cash extracted from their respective latest published annual/interim reports/results announcements prior to the Latest Practicable Date. Where applicable, for illustration purpose, RMB has been translated into HK\$ with exchange rate of RMB1 to HK\$1.0738.*
2. *EV/S Ratios of the Acquisition Comparable Companies are calculated based on their respective enterprise value (as calculated according to the formula above), and divided by the total revenue extracted from their respective latest published annual reports/results announcements prior to the Latest Practicable Date. Where applicable, for illustration purpose, RMB has been translated into HK\$ with exchange rate of RMB1 to HK\$1.0738.*
3. *The implied EV/S Ratio of the Target Group is calculated based on (i) the implied enterprise value of the Target Group (calculated based on the Consideration plus debt and minus cash of the Target Group as at 31 March 2023); and divided by (ii) its revenue for the year ended 31 March 2023.*

As shown in the table above, the Consideration translates into an implied EV/S Ratio of the Target Group of approximately 3.89 times (the “Implied EV/S Ratio”), which is higher than the EV/S Ratio range of the Acquisition Comparable Companies of approximately 2.74 times to 2.92 times, as well as the mean of the Acquisition Comparable Companies of approximately 2.83 times. When considering the aforesaid level of valuation premium the Acquisition is being conducted at, we are cognizant of the fact and differences that:

- (i) the Target Group has a leading position in its area of business in the PRC where it had over 100 million registered customers and served over 1.8 million shows and sport events as described in the “Letter from the Board”. Further, we understand from the Management that the Target Group serves the majority of the concerts organised in the PRC as the ticketing agency. According to QuestMobile, a research institution, the “Damai APP” operated by the Target Group has an absolute leading number of daily active users in the first half of 2023, surpassing its major competitor by over six times. In comparison, Maoyan Entertainment and the Group’s Tao Piao Piao ticketing business principally targets movie goers, and are less established than the Target Group in the area of ticketing for live entertainment events such as concerts, music festivals, sports events and exhibitions; and
- (ii) the Target Group’s principal business is online ticketing platform and majority of its revenue was being derived from this business during its financial year ended 31 March 2023. In comparison, online entertainment ticketing services accounted for about 47% of Maoyan Entertainment’s total revenue for its financial year ended 31 December 2022; while the Group’s technology segment, which mainly comprises digital platform ticketing and digitalisation businesses, contributed about 36% of the Group’s total revenue for the year ended 31 March 2023.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We are of the view that the level of premium in term of EV/S Ratio over the Acquisition Comparable Companies is, on balance, justified by the Target Group's market leading position in its focused business area.

In addition, based on our discussion with the Management on recent developments and as elaborated in the paragraph headed "2.2 Financial information of the Target Group" above, we understand that the Target Group has experienced significant improvement in its businesses following relaxation of pandemic-related restrictions which have allowed offline entertainment events to resume. As discussed above as a reference, during the three months ended 30 June 2023, the Target Group recorded GMV of over RMB4 billion, which surpassed the GMV for the entire 12-month period over its financial year ended in 31 March 2023 of approximately RMB3 billion. On a quarter-to-quarter basis, GMV also increased by over 100% during the three months ended 30 June 2023. Using such reference as proxy to revenue growth, the Implied EV/S Ratio of the Target Group would have been significantly lower if calculated on a trailing 12-month basis (i.e. using revenue figures for the period from 1 July 2022 to 30 June 2023).

Overall, while the Consideration translates into an Implied EV/S Ratio which is higher than those of the Acquisition Comparable Companies, having taken into account (i) the Target Group's market leading position in its focused business area; and (ii) the Target Group's recent significant improvement in its businesses following relaxation of pandemic-related restrictions which is not reflected in the Implied EV/S Ratio, we are of the view that the Consideration is, on balance, fair and reasonable as far as the Company and the Independent Shareholders are concerned when considered alongside qualitative factors such as the fact that the Acquisition allows the Group to become the flagship offline entertainment platform of Alibaba Digital Media and Entertainment Group with comprehensive industry coverage and resources integration.

### **3.2 The settlement terms**

According to the Share Purchase Agreement, the Consideration shall be satisfied by the Company allotting and issuing to the Seller 2,513,028,847 Consideration Shares at Closing.

#### *3.2.1 The Issue Price*

As stated in the paragraph headed "2. Issue of Consideration Shares" under the section headed "II. ACQUISITION" in the "Letter from the Board" of the Circular, the Company will issue 2,513,028,847 Consideration Shares at Closing to the Seller to satisfy the Consideration, which represent approximately 9.3% of the issued share capital of the Company as at the Latest Practicable Date and approximately 8.5% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Consideration Shares will be issued at HK\$0.52 per Consideration Share, which represents:

- (a) a discount of approximately 5.5% to the closing price of HK\$0.5500 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 0.3% to the average VWAP for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.5215 per Share;
- (c) a discount of approximately 0.1% to the average VWAP for the 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.5204 per Share;
- (d) a discount of approximately 0.9% to the average VWAP for the 15 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.5249 per Share;
- (e) the average VWAP for the 20 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.5200 per Share;
- (f) a premium of approximately 0.7% to the average VWAP for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.5164 per Share; and
- (g) a discount of approximately 13.0% to the consolidated net asset value per Share of approximately RMB0.52 (equivalent to approximately HK\$0.60) based on a total of 26,975,740,156 Shares in issue, the consolidated net asset of approximately RMB14,110 million, and the exchange rate of RMB1.0 to HK\$1.1430 as at 31 March 2023.

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### 3.2.2 Analysis of historical price performance of the Share

In assessing the reasonableness of the Issue Price, we have considered the historical movement of the Share closing price. Set out below is a chart illustrating the historical closing prices of Shares from 19 September 2022 (i.e. being one year prior to the date of the Share Purchase Agreement) to the Last Trading Day and subsequent to that up to the Latest Practicable Date (the “Review Period”). We consider that a review period of around one year is adequate to illustrate the historical Share price movements for conducting a reasonable comparison between the closing prices of Shares and the Issue Price.



Source: The website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

During the Review Period, the highest and lowest closing prices of the Shares were HK\$0.67 and HK\$0.29 per Share recorded on 12 December 2022 and 31 October 2022 respectively. The average daily closing price per Share over the Review Period was approximately HK\$0.49 per Share, and the Issue Price of HK\$0.52 represents a premium of approximately 6.1% to such average of closing prices.

As illustrated in the graph above, the Share closing price was on a downward trend from 19 September 2022 to end October 2022 and reached its low of HK\$0.29 as at 31 October 2022. We noted that the aforesaid decrease in Share closing price was highly correlated to the overall market movements as shown by the performance of Hang Seng Index, which decreased from 18,566 on 19 September 2022 to a low of 14,687 in end of October 2022. Thereafter, the Share closing price recovered to a level close to the Issue Price at the time when the Company published its interim results announcement for the six months ended 30 September 2022 on 29 November 2022, which continued to increase to a high of HK\$0.67 on 12 December 2022. The Share closing price then dropped to a level around the Issue Price on 3 March 2023 then hovered between HK\$0.39 to HK\$0.54 from 6 March 2023 to 20 July 2023. Since then, the Share closing price was in general on an increasing trend and closed at HK\$0.55 per Share and HK\$0.54 per Share respectively as at the Last Trading Day and the Latest Practicable Date.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Issue Price, being HK\$0.52 per Share, is within the range of the lowest and highest closing prices of Shares during the Review Period and represents a discount of approximately 5.5% to the closing price of Share as at the date of the Share Purchase Agreement.

### *3.2.3 Comparable issues analysis*

To assess the fairness and reasonableness of the Issue Price, we have also conducted a comparable analysis through identifying companies listed on the Main Board of the Stock Exchange which announced issuance of consideration shares for acquisition activities during the period from 19 May 2023 up to and including 19 September 2023, being the date of the Share Purchase Agreement. On such basis, we have identified eight comparable companies (the “Consideration Shares Comparables”), which we consider to be an exhaustive list of the relevant comparable companies based on the abovementioned criteria. We consider that a review period of around five months prior to the date of the Share Purchase Agreement is a reasonable timeframe for identifying recent Consideration Shares Comparables that reflect the prevailing market sentiment, economic conditions and financial market cycles for the purpose of assessing the reasonableness of the Issue Price. In addition, we believe that the eight Consideration Shares Comparables identified based on the abovementioned selection criteria provide a representative sample for our comparable issues analysis purpose.

It should be noted that the Consideration Shares Comparables may have different principal activities, market capitalisation, profitability and financial position as compared with those of the Company. Circumstances leading the Consideration Shares Comparables to issue consideration shares may differ from that of the Company. Notwithstanding this, considering the similarity in nature of the issue of the Consideration Shares and the Consideration Shares Comparables that both involved issuing new shares to satisfy consideration, we consider that the Consideration Shares Comparables can provide a valid general reference for similar type of transactions in the Hong Kong market under the recent market environment.

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The following table sets out the issue price of the consideration shares and the discounts of issue price to the respective (average) closing price on the last trading day prior to/on the date of the relevant agreement, and for the last five and ten consecutive trading days prior to/including the date of the relevant agreement of the Consideration Shares Comparables.

Date of announcement	Company name	Stock code	Issue price <i>HK\$</i>	(Discount) of the issue price to		
				the closing price on the last trading day prior to/on the date of the relevant agreement %	the average closing price over the last five consecutive trading days prior to/including the date of the relevant agreement %	the average closing price over the last ten consecutive trading days prior to/including the date of the relevant agreement %
29 May 2023	Huili Resources (Group) Limited	1303	0.25	(12.30)	(5.30)	(8.26)
15 June 2023	TFG International Group Limited	542	0.20	(11.50)	(10.00)	(11.00)
29 June 2023	Affluent Partners Holdings Limited	1466	0.2628	(23.83)	(24.70)	(26.28)
7 July 2023	Tongguan Gold Group Limited	340	0.50	(16.70)	(18.00)	(18.00)
24 August 2023	Asia Resources Holding Limited	899	0.23	0.00	2.40	8.34
4 September 2023	Anchorstone Holdings Limited	1592	0.085	66.67	42.14	41.67
8 September 2023	Infinites Technology International (Cayman) Holding Limited	1961	1.40	0.00	(3.40)	(2.51)
14 September 2023	MOS House Group Limited	1653	0.34	(4.23)	(3.41)	(4.49)
			<b>Maximum</b>	<b>66.67</b>	<b>42.14</b>	<b>41.67</b>
			<b>Minimum</b>	<b>(23.83)</b>	<b>(24.70)</b>	<b>(26.28)</b>
			<b>Mean</b>	<b>(0.24)</b>	<b>(2.53)</b>	<b>(2.57)</b>
			<b>Median</b>	<b>(7.87)</b>	<b>(4.36)</b>	<b>(6.38)</b>
19 September 2023	The Company	1060	0.52	(5.5)	(0.3)	(0.1)

Source: The website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

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As shown in the above table, the issue prices of the Consideration Shares Comparables to the respective (average) closing price on the last trading day prior to/on the date of the relevant agreement, and for the last five and ten consecutive trading days prior to/including the date of the relevant agreement are in a range of premium of approximately 66.67% to discount of approximately 26.28%, with mean discount between approximately 0.24% and 2.57% and median discount between approximately 4.36% and 7.87%.

We noted that (i) the discount of Issue Price to the closing price on the Last Trading Day of approximately 5.5% is (a) within the range of premium of approximately 66.67% to discount of approximately 23.83%; and (b) higher than the mean discount of approximately 0.24%; (ii) the discount of Issue Price to the average closing price for the last five trading days up to and including the Last Trading Day of approximately 0.3% is (a) within the range of premium of approximately 42.14% to discount of approximately 24.70%; and (b) lower than the mean discount of approximately 2.53%; and (iii) the discount of Issue Price to the average closing price for the last ten trading days up to and including the Last Trading Day of approximately 0.1% is (a) within the range of premium of approximately 41.67% to discount of approximately 26.28%; and (b) lower than the mean discount of approximately 2.57%.

In assessing the fairness and reasonableness of the Issue Price, we have considered, amongst others, (i) the Issue Price, relative to the Share's closing price on the Last Trading Day and the last five and ten trading days are at discounts within the range of those of the Consideration Shares Comparables; (ii) the discounts as represented by the Issue Price relative to the Share's average closing price for the last five and ten trading days are lower than the means of the Consideration Shares Comparables; (iii) notwithstanding the discount as represented by the Issue Price relative to the Share's closing price on the Last Trading Day is higher than the mean of the Consideration Shares Comparables, we have also considered the reasons for and benefits of the Acquisition as elaborated in the paragraph headed "4. The Company's rationale for the Acquisition" below; (iv) the Issue Price is within the range of closing prices and at a premium of approximately 6.1% to the average closing prices of the Shares during the Review Period; (v) as advised by the Management, the Issue Price is calculated with reference to the average VWAP for the 30 consecutive trading days up to and including the Last Trading Day; and (vi) the issue of Consideration Shares is construed as a means to finance the Acquisition without having cash outlay to the Group. Based on the above, we are of the view that the Issue Price is fair and reasonable.

Overall, having considered the above and in particular, (i) settlement through the issuance of Consideration Shares would allow the Company to acquire the Target Group without having any cash outlay; (ii) the Issue Price is fair and reasonable; and (iii) the potential dilution effect on the shareholding interests of the public Shareholders following the issuance of Consideration Shares is acceptable and justifiable as further discussed in the paragraph headed "5. Effect of the Acquisition on the shareholding structure of the Company" below, we are of the view that the settlement terms of the Consideration through the issuance of Consideration Shares are fair and reasonable as far as the Company and the Independent Shareholders are concerned.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3.3 *Section summary*

Having considered the factors above, we are of the view that the terms of the Share Purchase Agreement (including the allotment and issue of the Consideration Shares) and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable as far as the Company and the Independent Shareholders are concerned.

### 4. **The Company's rationale for the Acquisition**

As stated in the section headed "X. REASONS FOR AND BENEFITS OF THE ACQUISITION" in the "Letter from the Board" of the Circular, the Management considers that the Acquisition would further reinforce the Company's dual-drive strategy featuring "content + technology" and allowing the Company to provide customers with first-class entertainment experiences across film, concerts, music festivals and other events, and develop into the offline entertainment flagship of Alibaba Digital Media and Entertainment Group.

In this regard, we noted from the FY2023 Annual Report that the Group's current platform ticketing business includes Tao Piao Piao (being a 2C platform), Yunzhi (being a 2B platform) and Damai (which the Group is entrusted to manage and operate Damai's live entertainment business). We understand that Tao Piao Piao and Damai are two of the important platforms for the Group which together form a complete ecosystem in terms of ticketing services for the Group, where Tao Piao Piao provides ticketing services to cinemas and Damai provides ticketing services for live entertainment events. Through the Acquisition, the Group is expected to gain full control in the management and operation of the Damai platform, which can then further complete the Group's pan-entertainment infrastructure and in turn, solidify its competitive strengths and integrate resources to provide a full range of offline entertainment services to customers in line with the Group's dual-drive strategy. In addition, the Acquisition is also expected to enable the Group to capture the potential strong momentum of offline entertainment events and performances as the COVID-19 pandemic restrictions were relaxed, as demonstrated by the Target Group's strong GMV performance in the recent quarter ended 30 June 2023 as elaborated in the paragraph headed "2.2 Financial information of the Target Group" above.

Overall, we concur with the Management that the entering into of the Share Purchase Agreement is in line with the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 5. Effect of the Acquisition on the shareholding structure of the Company

As at the Latest Practicable Date, the Company had 26,975,740,156 Shares in issue. As set out in the paragraph headed “3. Potential Effects on the Shareholding Structure of the Company” under the section headed “II. ACQUISITION” in the “Letter from the Board” of the Circular, the following table illustrates the effect of the allotment and issuance of Consideration Shares on the shareholding structure of the Company.

	<b>As of the Latest Practicable Date</b>		<b>Immediately after the issue and allotment of the Consideration Shares</b>	
	<i>Number of Shares</i>	<i>Approximate% of shareholding</i>	<i>Number of Shares</i>	<i>Approximate% of shareholding</i>
<b>Alibaba Group</b>				
Ali CV	13,488,058,846	50.0007	13,488,058,846	45.7396
Seller	–	–	2,513,028,847	8.5220
<i>Sub-total</i>	<i>13,488,058,846</i>	<i>50.0007</i>	<i>16,001,087,693</i>	<i>54.2616</i>
<b>Directors</b>				
FAN Luyuan	1,448,276	0.0054	1,448,276	0.0049
LI Jie	8,168,086	0.0303	8,168,086	0.0277
MENG Jun	626,499	0.0023	626,499	0.0021
<i>Sub-total</i>	<i>10,242,861</i>	<i>0.0380</i>	<i>10,242,861</i>	<i>0.0347</i>
<b>Trustee of a share scheme</b>	195,736,833	0.7256	195,736,833	0.6638
<b>Other public Shareholders</b>	13,281,701,616	49.2357	13,281,701,616	45.0399
<b>Total</b>	<b><u>26,975,740,156</u></b>	<b><u>100.0000</u></b>	<b><u>29,488,769,003</u></b>	<b><u>100.0000</u></b>

Assuming there will be no change in the issued share capital of the Company between the Latest Practicable Date and the Closing (save for the issue and allotment of the Consideration Shares), the interest of public Shareholders in the Company’s total number of issued Shares will be slightly diluted from approximately 49.2% to 45.0%. Meanwhile, it is observed that Alibaba Group will remain as the majority Shareholder with its shareholding interests in the Company increasing from approximately 50.0007% to approximately 54.3%, which can be viewed as a reinforcement of its commitment towards the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Taking into account (i) the entering into of the Share Purchase Agreement is in the interests of the Company and the Shareholders as a whole; (ii) the Consideration under the Share Purchase Agreement is fair and reasonable; and (iii) the settlement terms (including the Issue Price) are fair and reasonable, we consider that such potential dilution effect on the shareholding interests of the public Shareholders to be acceptable and justifiable.

### **6. Potential financial effects as a result of the Acquisition**

Upon Closing, the Company will hold the entire issued share capital of the Target Company which indirectly holds the entire issued share capital of Damai WFOE and through the Structured Contracts, has effective control over the financing and operations of the OPCOs, and enjoy the economic interest and benefits of the OPCOs. As a result, the financial results of the OPCOs will be consolidated into the financial statements of the Group.

As the Consideration will be settled by Consideration Shares, the equity of the Group is expected to increase as a result of the enlarged capital base following the issue of Consideration Shares. The working capital position of the Group would not be affected as the Acquisition does not involve cash outlay on the part of the Group.

### **7. Contractual Arrangements**

#### *Background and rationale for entering into the Contractual Arrangements*

It is stated in the “Letter from the Board” of the Circular that as the applicable PRC laws and regulations in force restrict foreign investment in the business operations of the OPCOs, in line with the common practice in the industries which are subject to foreign investment restrictions, the Group intends to adopt the Contractual Arrangements with respect to the OPCOs, which enable the Group, through Damai WFOE, to obtain effective control over, and receive all the economic benefits generated by, the businesses operated by the OPCOs, which in turn operate the Restricted Businesses through itself and its subsidiaries. In particular, the Contractual Arrangements have been narrowly tailored to achieve the Group’s business purpose and to minimise the potential conflict with relevant PRC laws and regulations. In addition, the Group will adopt a series of internal control measures relating to ongoing management controls and financial controls as well as regular legal review so as to safeguard the assets of the OPCOs.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Further details of the Contractual Arrangements, including information on (i) the Structured Contracts; (ii) disputes resolutions, succession and liquidation under the Structured Contracts; (iii) loss sharing; (iv) conflict of interests; and (v) internal control measures to be implemented by the Group against the OPCOs, can be found in the sections headed “IV. INFORMATION OF THE CONTRACTUAL ARRANGEMENT” and “V. INTERNAL CONTROL MEASURES TO BE IMPLEMENTED BY THE GROUP” in the “Letter from the Board” of the Circular. The Directors have also expressed their belief, having considered the opinion of the PRC Legal Adviser, that the Structured Contracts are enforceable under the relevant laws and regulations. We however wish to highlight that the Contractual Arrangements are subject to certain risks as set out in the section headed “VIII. RISK FACTORS IN RELATION TO THE CONTRACTUAL ARRANGEMENTS” in the “Letter from the Board” of the Circular.

In summary, the Contractual Arrangements (i) are necessary for the Group to conduct the Restricted Businesses and facilitates its expansion into performing artist-related services upon completion of the Acquisition; (ii) enable the Group to obtain effective control over, and receive all the economic benefits generated from the Restricted Businesses; (iii) are fundamental to the Group’s legal structure and business operations, and such transactions have been or will be entered into in the Group’s ordinary and usual course of business; and (iv) the OPCOs will be treated as controlled entities and the Group will consolidate their financial position and results of operations in the consolidated financial statements of the Group in accordance with Hong Kong Financial Reporting Standards upon the completion of the Acquisition.

We noted that the Company agrees that it would unwind the Contractual Arrangements and the Structured Contracts as soon as the relevant laws and regulations allow the value-added telecommunications business and the internet cultural services business in the PRC to be operated by foreign investors without adopting a VIE structure.

Based on the above, we are of the view that the Contractual Arrangements, including the terms of the Structured Contracts, are fair and reasonable and on normal commercial terms, and the entering into of such agreements is in the Group’s ordinary and usual course of business and is in the interests of the Company and the Shareholders as a whole.

### ***Listing Rules implications and relevant waivers***

As stated in the “Letter from the Board” of the Circular, the continuing transactions under the Contractual Arrangements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules, and such transactions are subject to all applicable reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

For the reasons discussed below, the Company has applied for, and the Stock Exchange has granted, a waiver (the “Waiver”) from strict compliance with (i) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules; and (ii) the requirement of limiting the term of the Contractual Arrangements to a fixed term under Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(a) Annual cap of the Contractual Arrangements*

Under Rule 14A.53 of the Listing Rules, a listed issuer must set an annual cap for its continuing connected transaction. The aforesaid cap must be: (1) expressed in monetary terms; (2) determined by reference to previous transactions and figures in the published information of the listed issuer's group. If there were no previous transactions, the cap must be set based on reasonable assumptions; and (3) approved by shareholders if the transaction requires shareholders' approval.

As discussed above, under the Contractual Arrangements the Group maintains relevant effective control and receive all economic benefits. We are of the view that it is not necessary nor practicable (i) to place annual caps on the transactions under the Contractual Arrangements as there is no concern of leakage of economic benefits that will be detrimental to Independent Shareholders; and (ii) to incur additional costs and administrative burden towards monitoring and ensuring the amount of transactions is within an arbitrary annual cap.

*(b) Tenure of the Contractual Arrangements*

Under Rule 14A.52 of the Listing Rules, the period for a continuing connected transaction agreement must be fixed and reflect normal commercial terms or better. It must not exceed three years except in special circumstances where the nature of the transaction requires a longer period. In such case, the listed issuer must appoint an independent financial adviser to explain why the agreement requires a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration.

As discussed above, the Contractual Arrangements are fundamental to the Group's businesses and is a long term arrangement, without which, the Group would not be able to operate. We are of the view that it would be unduly burdensome and unnecessary for the Company to renew the Contractual Arrangements every three years or less, in particular given that the Company agrees that it would unwind the Contractual Arrangements as soon as the relevant laws and regulations allow. We also noted that duration of comparable contractual arrangements of other listed issuers on the Stock Exchange as further discussed in the paragraph headed "Comparable analysis of Contractual Arrangements" below are normally of indefinite tenure.

Based on the above, we are of the view that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole to enter into the Contractual Arrangements without setting an annual cap nor a fixed tenure of less than three years.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Comparable analysis of Contractual Arrangements*

It is noted that the Company currently adopts contractual arrangements for its existing businesses. For reference, we have conducted a comparable analysis to assess the terms of the Contractual Arrangements. In this respect, the selection criteria are companies (i) which are listed on the Stock Exchange and their contractual arrangements constitute continuing connected transactions under the Listing Rules; (ii) which conduct similar businesses as the Group and the Target Group, being investment in and production and distribution of entertainment contents predominantly in the PRC. Given that this comparable analysis is to consider contractual arrangements of PRC-based entertainment-related companies in general, we have expanded the selection criteria beyond the Acquisition Comparable Companies to include more generically those which produce entertainment contents such as music, drama and with or without ticketing business; and (iii) which are of similar scale of operations as the Group with revenue of around RMB1 billion and above (the “Comparable Contractual Arrangements”). Based on these criteria we have identified the following Comparable Contractual Arrangements:

<b>Company</b>	<b>Stock code</b>	<b>Tenure of contractual arrangements</b>	<b>Waiver from Rule 14A.52</b>	<b>Waiver from Rule 14A.53</b>
Cloud Music Inc.	9899	Indefinite	Yes	Yes
Strawbear Entertainment Group	2125	Indefinite	Yes	Yes
Linmon Media Limited	9857	Indefinite	Yes	Yes
Maoyan Entertainment	1896	20 years	N/A	Yes

Based on the above, it can be observed that the tenures of the Comparable Contractual Arrangements are either indefinite or of long tenure such as 20 years. In each of the case, the listed issuers had applied for and been granted by the Stock Exchange the waivers from strict compliance with Rule 14A.52 and Rule 14A.53 of the Listing Rules (where applicable). Therefore, we consider that the transactions under the Contractual Arrangements are normal business practice, and similar contractual arrangements in the market generally do not have stipulated annual caps and the tenures are typically long, if not indefinite.

### **RECOMMENDATION**

Having considered the above principal factors, we are of the view that the terms of the Acquisition, the Share Purchase Agreement and Contractual Arrangements and the transactions contemplated thereunder are entered into by the Group in its ordinary and usual course of business, on normal commercial terms, in the interests of the Company and the Shareholders as a whole, and are fair and reasonable so far as the Independent Shareholders are concerned.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the proposed resolutions at the SGM to approve the Acquisition, Share Purchase Agreement and Contractual Arrangements and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Altus Capital Limited**

**Chang Sean Pey**  
*Responsible Officer*

*Mr. Chang Sean Pey (“Mr. Chang”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 25 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.*

## 1. RESPONSIBILITY STATEMENT

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 of 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 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), or to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules (the “Model Code”) were as follows:

### Shares and underlying Shares

Name of Director	Nature of interest	Number of Shares (L) held	Number of underlying Shares held		Total number of Shares and underlying Shares	Approximate percentage of Shares in issue (Note 2)
			Share options	Awarded shares		
Mr. FAN Luyuan	Beneficial owner	1,448,276	11,175,000	15,735,000	28,358,276	0.11%
Mr. LI Jie	Beneficial owner	8,168,086	— <sup>(Note 3)</sup>	21,031,250	29,199,336	0.11%
Mr. MENG Jun	Beneficial owner	626,499	— <sup>(Note 3)</sup>	4,995,750	5,622,249	0.02%

#### Notes:

- (1) The letter “L” denotes the person’s long position in the securities.
- (2) Based on a total of 26,975,740,156 Shares in issue as of the Latest Practicable Date.
- (3) Share options previously granted to Mr. LI Jie and Mr. MENG Jun, respectively, were cancelled.

## Shares and underlying shares of the associated corporation of the Company – Alibaba Holding

Name of Director	Nature of interest	Number of shares (L)/ underlying shares held		Approximate percentage of total issued shares of the associated corporation (Note 3)
		(in the number of ADSs)	(in the number of ordinary shares of Alibaba Holding) (Note 2)	
Mr. FAN Luyuan	Note 4	420,839	3,366,712	0.02%
Mr. LI Jie	Note 5	76,488	611,904	0.00%
Mr. MENG Jun	Note 6	18,161	145,288	0.00%
Mr. TUNG Pen Hung	Note 7	79,676	637,408	0.00%
Mr. TONG Xiaomeng	Note 8	117,647	941,176	0.00%

## Notes:

- (1) The letter “L” denotes the person’s long position in the securities.
- (2) One ADS of Alibaba Holding represents eight ordinary shares of Alibaba Holding and one restricted share unit (“RSU”) represents one ADS.
- (3) Based on 20,347,393,088 ordinary shares of Alibaba Holding in issue as of the Latest Practicable Date.
- (4) The interest represents (i) 18,731 ADSs and 21,251 RSUs held by Mr. FAN Luyuan beneficially; and (ii) 380,857 ADSs held by a trust, of which Mr. FAN Luyuan is a founder.
- (5) The interest represents 62,487 ADSs and 14,001 RSUs held by Mr. LI Jie beneficially.
- (6) The interest represents (i) 9,388 ADSs and 6,650 RSUs held by Mr. MENG Jun beneficially; and (ii) 2,123 ADSs held by the spouse of Mr. MENG Jun.
- (7) The interest represents 61,926 ADSs and 17,750 RSUs held by Mr. TUNG Pen Hung beneficially.
- (8) The interest represents 117,647 ADSs held by Mr. TONG Xiaomeng beneficially.

Save as disclosed above, to the best knowledge, information and belief of the Company, as of the Latest Practicable Date, none of the Directors nor chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required 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 which were taken or deemed to have under such provisions of the SFO); or to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

As of the Latest Practicable Date, none of the Directors had any interests or short positions in any 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 of the Latest Practicable Date, none of the Directors and their respective close associates were interested in any business (apart from the Group's business) which competes or is likely to compete, either directly or indirectly, with the Group's business.

#### (b) Interests in assets

As of the Latest Practicable Date, none of the Directors had any interest, 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, 2023 (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 as disclosed in the Company's connected transactions as disclosed in this circular, its annual report 2022/23 and announcements dated March 28, 2023, March 31, 2023 and June 30, 2023, respectively, as of the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting as of the Latest Practicable Date which was significant in relation to the business of the Group.

#### (d) Service contracts

As of the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by such member of the Group within one year without payment of compensation, other than statutory compensation).

### 4. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinions or advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Altus Capital	a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

As of the Latest Practicable Date, Altus Capital 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 it appears.

As of the Latest Practicable Date, Altus Capital did not have any 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, 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

#### **5. MATERIAL ADVERSE CHANGE**

As of 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, 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

#### **6. MISCELLANEOUS**

- (a) For illustration purposes only, in this circular, the conversion of HK\$ into US\$ is based on the exchange rate of HK\$7.8250 to US\$1.0 and the conversion of RMB into HK\$ is based on the exchange rate of RMB1.0 to HK\$1.0738 as of September 18, 2023, unless otherwise stated.
- (b) If there is any inconsistency between this circular and its Chinese translation, this circular shall prevail. For ease of reference, the names of Chinese laws and regulations, government authorities, institutions, natural persons or other entities (including certain subsidiaries) have been included in this circular in the Chinese and English languages, and in the event of any inconsistency, the Chinese version shall prevail.

#### **7. DOCUMENTS ON DISPLAY**

A copy of the Share Purchase Agreement and the Structured Contracts will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.alibabapictures.com](http://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.

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## NOTICE OF SPECIAL GENERAL MEETING

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

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1060)**

**NOTICE IS HEREBY GIVEN THAT** the special general meeting (the “SGM”) of Alibaba Pictures Group Limited (the “Company”) will be held at Room Salon, Eaton Club Central at 5/F, Champion Tower, 3 Garden Road, Central, Hong Kong on Tuesday, October 31, 2023 at 11:00 a.m. for the purposes of considering and, if thought fit, passing (with or without amendments) the following resolutions. Unless the context otherwise requires, capitalized terms used herein shall have the same meanings as those defined in the circular of the Company dated October 16, 2023 (the “Circular”).

### ORDINARY RESOLUTIONS

1. “**THAT:**

- (i) the Share Purchase Agreement dated September 19, 2023 (a copy of which has been produced at the meeting and marked “A” and initialed by the chairman of the meeting for the purpose of identification) in relation to, among other things, the Acquisition at the Consideration, the terms thereof and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (ii) conditional upon the Listing Committee of the Stock Exchange granting the approval of the listing of, and permission to deal in, the Consideration Shares to be issued by the Company in satisfaction of the Consideration payable by the Purchaser under the Share Purchase Agreement, the Directors be and are hereby granted the specific mandate to allot and issue the Consideration Shares and take all such steps and do all such acts as may be necessary or expedient in order to give effect to the same; and
- (iii) any one Director (or one Director and the secretary of the Company or any two Directors or such other person or persons (including a Director) as the Board may appoint, in case of execution of documents under seal) be and is hereby authorized to sign, execute and deliver all such documents and to do all such acts or things which he/she/they consider(s) necessary, desirable or expedient to implement, or to give effect to the transactions contemplated under the Share Purchase Agreement.”

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## NOTICE OF SPECIAL GENERAL MEETING

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2. **“THAT:**

- (i) the Contractual Arrangements and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (ii) any one Director (or one Director and the secretary of the Company or any two Directors or such other person or persons (including a Director) as the Board may appoint, in case of execution of documents under seal) be and is hereby authorized to sign, execute and deliver all such documents and to do all such acts or things which he/she/they consider(s) necessary, desirable or expedient to implement, or to give effect to the transactions contemplated under the Structured Contracts.”

By order of the Board  
**Alibaba Pictures Group Limited**  
**FAN Luyuan**  
*Chairman & Chief Executive Officer*

Hong Kong, October 16, 2023

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton, Pembroke  
HM 11 Bermuda

*Head Office:*

Block B, Wangjing  
Ali Centre  
Building 4, Zone 4, Wangjing East Park  
Chaoyang District Beijing, China

*Principal Place of Business in*

*Hong Kong:*  
26/F, Tower One, Times Square  
1 Matheson Street  
Causeway Bay  
Hong Kong

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## NOTICE OF SPECIAL GENERAL MEETING

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*Notes:*

- (1) Any member of the Company entitled to attend, speak and vote at the SGM (or any adjourned meeting) is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member who is the holder of two or more Shares may appoint more than one proxy to represent him to attend and vote on his behalf.
- (2) Where there are joint registered holders of any Share, any one of such holders may vote at the SGM (or any adjourned meeting), either personally or by proxy, in respect of such Share as if he was solely entitled thereto; but if more than one of such joint registered holders are present at the SGM (or any adjourned meeting) personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of the joint holding shall alone be entitled to vote in respect of such Share.
- (3) Whether you are able to attend the SGM or not, you are requested to complete the enclosed 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 17/F, Far East Finance Centre, 16 Harcourt Road, 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 (i.e. no later than 11:00 a.m. on Sunday, October 29, 2023) or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the SGM or any adjourned meeting if they so wish.
- (4) The record date for determining the entitlement of the Shareholders to attend and vote at the SGM will be Thursday, October 26, 2023. To be eligible to attend and vote at the SGM, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Wednesday, October 25, 2023.
- (5) All voting by the members at the SGM (or any adjourned meeting) shall be conducted by way of poll.
- (6) References to time and dates in this circular are to Hong Kong time and dates.
- (7) If Typhoon Signal No. 8 or above, or “extreme conditions” caused by super typhoons, or a “black” rainstorm warning is in effect any time and remains in force 2 hours before the time of the SGM, the SGM will be postponed. The Company will post an announcement on the website of Company at [www.alibabapictures.com](http://www.alibabapictures.com) and on the website of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk) to notify the Shareholders of the date, time and place of the rescheduled meeting.
- (8) The Chinese translation of this notice is for reference only. In the event of inconsistency, the English version shall prevail.

As of the date of this notice, the Board comprises Mr. Fan Luyuan, Mr. Li Jie and Mr. Meng Jun, being the executive Directors; Mr. Tung Pen Hung, being the non-executive Director; and Ms. Song Lixin, Mr. Tong Xiaomeng and Mr. Johnny Chen, being the independent non-executive Directors.