

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



**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)**

**DISCLOSEABLE TRANSACTION**  
**ACQUISITIONS OF EQUITY INTERESTS IN**  
**JIALI CULTURE AND DONGYANG MEILA**

**THE ACQUISITIONS**

On November 13, 2023, Zhonglian Shengshi, being an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement I with Jiali Culture, Huayi Entertainment and Huayi Brothers, pursuant to which, Zhonglian Shengshi agreed to purchase, and Huayi Entertainment agreed to sell, the entire equity interest (together with the relevant shareholder's loan) in Jiali Culture at a total consideration of RMB350,000,000, subject to the terms and conditions of the Sale and Purchase Agreement I (i.e. the Acquisition I). At the relevant time when the Sale and Purchase Agreement I was entered into, the Acquisition I did not constitute a notifiable transaction for the Company.

On July 23, 2024, Beijing Alibaba, being an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement II with Dongyang Meila, Beijing Meila, Hainan Meila and Huayi Brothers, pursuant to which, Beijing Alibaba agreed to purchase, and Huayi Brothers agreed to sell, 70% of the entire equity interest in Dongyang Meila at a total consideration of RMB350,000,000, subject to the terms and conditions of the Sale and Purchase Agreement II (i.e. the Acquisition II).

## **LISTING RULES IMPLICATIONS**

At the relevant time when the Sale and Purchase Agreement I was entered into, all applicable percentage ratios in respect of the Acquisition I were less than 5%. As such, the Acquisition I did not constitute a notifiable transaction for the Company.

Since the Acquisition I was conducted within a 12-month period and the Loan owing by Huayi Brothers to the Group will be utilized to set-off the Total Consideration, the Acquisition I is required to be aggregated with the Acquisition II pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Acquisitions on an aggregate basis is more than 5% but less than 25%, the Acquisitions constitute a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

**The Acquisition II is subject to certain conditions under the Sale and Purchase Agreement II. Accordingly, the Acquisition II may or may not materialize. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.**

## **THE ACQUISITIONS**

On November 13, 2023, Zhonglian Shengshi, being an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement I with Jiali Culture, Huayi Entertainment and Huayi Brothers, pursuant to which, Zhonglian Shengshi agreed to purchase, and Huayi Entertainment agreed to sell, the entire equity interest (together with the relevant shareholder's loan) in Jiali Culture at a total consideration of RMB350,000,000, subject to the terms and conditions of the Sale and Purchase Agreement I (i.e. the Acquisition I). At the relevant time when the Sale and Purchase Agreement I was entered into, the Acquisition I did not constitute a notifiable transaction for the Company.

On July 23, 2024, Beijing Alibaba, being an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement II with Dongyang Meila, Beijing Meila, Hainan Meila and Huayi Brothers, pursuant to which, Beijing Alibaba agreed to purchase, and Huayi Brothers agreed to sell, 70% of the entire equity interest in Dongyang Meila at a total consideration of RMB350,000,000, subject to the terms and conditions of the Sale and Purchase Agreement II (i.e. the Acquisition II).

The principal terms of each of the Sale and Purchase Agreements are summarized below:

### **The Sale and Purchase Agreement I**

**Date:** November 13, 2023

**Parties:**

- (i) Zhonglian Shengshi, being an indirect wholly-owned subsidiary of the Company (as the purchaser);
- (ii) Jiali Culture (as the target company);
- (iii) Huayi Entertainment (as the vendor); and
- (iv) Huayi Brothers (as the vendor's guarantor)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Jiali Culture, Huayi Entertainment, Huayi Brothers and their respective ultimate beneficial owners (where applicable) were third parties independent of the Company and its connected persons.

**Assets to be purchased:** Huayi Entertainment agreed to sell, and Zhonglian Shengshi agreed to purchase, (a) the entire equity interest in Jiali Culture, which was the sole and beneficial owner of the Property immediately prior to the Completion I; and (b) the shareholder's loan due and owing by Jiali Culture to Huayi Entertainment in the amount of approximately RMB130,018,605 as at the Completion I (i.e. the Acquisition I).

**Consideration,  
adjustments and set-off:**

The total consideration for the Acquisition I shall be RMB350,000,000 (the “Consideration I”) subject to adjustments. The Consideration I will be adjusted if any Value Diminution Event I occurs between the Base Date I and the Completion Date I, and in such case, the amount involved in the aforesaid event shall be deducted from the Consideration I accordingly.

Upon the Completion I, the Consideration I, after adjustment if applicable, shall be fully settled by way of set-off against the outstanding principal due and owing by Huayi Brothers under the Loan Agreement on a dollar-for-dollar basis pursuant to the Set-Off Agreement I.

The Consideration I was determined through arm’s length negotiation between Zhonglian Shengshi and Huayi Brothers based on (a) the appraised value of the entire equity interests of Jiali Culture set out in a valuation report as issued by an independent professional valuer as of August 31, 2023, and their reasonable market valuation for the relevant time being (i.e. between RMB230,000,000 and RMB240,000,000), and (b) the shareholder’s loan due and owing by Jiali Culture to Huayi Entertainment in the amount of approximately RMB130,000,000.

**Key Assumptions**

The key assumptions of the valuation were as follows:

1. arm’s length assumption – the valuation target has been in the course of transaction, and the valuer simulates the market for valuation based on the transaction conditions of the valuation target in accordance with the arm’s length principle;

2. open market assumption – the valuation target is in a fully competitive and perfect market (regional, national or international market), in which the parties to the proposed transaction are equal to each other in terms of market position, and each other has the ability, opportunity and time to obtain sufficient market information; the transaction behaviour of parties to the transaction is carried out voluntarily, rationally rather than compulsorily, or under unrestricted conditions, so as to facilitate the parties to the transaction to make rational judgement on the function and use of the subject matter of the transaction and its transaction price. Under fully competitive market conditions, the exchange value of the subject matter of the transaction is governed by the market mechanism and determined by market conditions rather than by individual transaction prices;
3. going concern assumption – the valued unit (the valuation target and the assets contained therein) operates continuously according to its current mode, scale, frequency, and environment. This assumption sets not only the state of existence of the valuation target, but also the market conditions or market environment to which the valuation target is exposed;
4. there are no significant changes in the relevant national and local laws and regulations, industry policies, macroeconomic environment, etc. prevailing at the national and local levels (in the regions involved in the business operations of the valuation target) as compared with the valuation reference date; and that there are no significant changes in the political, economic and social environments in the regions in which the parties to the transaction of this transaction are located;
5. there will be no significant changes in the fiscal and monetary policies of the regions in which the valuation target operates, as well as in the relevant interest rates, exchange rates, tax bases and rates, and policy levies implemented;

6. there are no other human force majeure and unforeseeable factors that would have a material adverse effect on the going concern of the valuation target;
7. the information provided by the client and the valuation target is true, accurate and complete and that there is adequate disclosure of relevant material matters; and
8. the valuation target is in full compliance with all relevant laws and regulations in force.

### **Valuation Method, Reasons for Adoption and Parameters of the Valuation**

As Jiali Culture holds different asset classes, including current assets and non-current assets (mainly comprising the real estates owned), different valuation methods were utilised for the purpose of conducting the valuation of Jiali Culture as set out below.

In respect of investment real estates and fixed assets

There are three generally accepted approaches to value real estates, namely the income approach, the market approach and the cost approach. The market approach was adopted by the valuer in deriving the fair value of the real estates owned by Jiali Culture as at the valuation date on August 31, 2023 for the following reasons:

- (a) the income approach was not adopted because (i) the current market rental and sales ratio of similar real estate deviates from the objective level of real estate investment, the rental yield is even lower than the current bank deposit interest rate, the real estate investment buyers pay more attention to the property value preservation and appreciation characteristics, the expected return is more derived from the expectation of future price increases; and (ii) the price of real estate is mainly dominated by the relationship between supply and demand, and the results of the income approach cannot truly reflect the current market price of this type of real estate;

- (b) the cost approach was not adopted because the properties included in the scope of the valuation is part of a whole building and its replacement cost cannot be reasonably measured separately; and
- (c) the market approach was adopted because the use of this market approach requires a fully developed and active trading market, where the economic indicators and technical characteristics of the selected reference items are comparable to those of the assets being valued, and where information can be collected. The subject of this valuation can be collected from the neighbouring transaction cases, and the conditions for the use of the market approach are met.

In respect of the offices and the carparking spaces (collectively being the subject real estates), the valuer has each identified three comparable commercial buildings/carparking spaces for the purpose of conducting such market approach valuation, which, among others, has taken into account the following factors:

- (a) the location and its proximity to the valuation property;
- (b) age of the property;
- (c) usage of the property;
- (d) facilities provided at the property;
- (e) transport accessibility;
- (f) business concentration in that area;
- (g) public facilities in that area; and
- (h) gross area of the property.

After considering these factors, the valuer will apply the below formula to quantify the appraised value of the real estate:

$$V = V0 \times A/A0 \times B/B0 \times C/C0 \times D/D0$$

V = appraised value of the real estate being valued

V0 = Property prices of the comparable real estate

A = transaction condition index of the real estate being valued

A0 = transaction condition index of the comparable real estate

B = real estate price index as at the date of the valuation the real estate being valued

B0 = real estate price index as at the date of the transaction of the comparable real estate

C = regional factor condition index of the real estate being valued

C0 = regional factor condition index of the comparable real estate

D = index of individual factor conditions for the real estate being valued

D0 = index of individual factor conditions for the comparable real estate



In respect of the rest of the assets of Jiali Culture

There are three generally accepted approaches to value the rest of the assets of Jiali Culture, namely the income approach, the market approach and the asset-based approach. The asset-based approach was adopted by the valuer in deriving the fair value of the rest of the assets owned by Jiali Culture as at the valuation date on August 31, 2023 for the following reasons:

- (a) the income approach was not adopted because revenues had fluctuated due to volatile housing rentals in recent years and were in a loss position in 2021 and 2023, and hence the management of the company is unable to reliably analyse and quantify, among other things, the future income position and risk-reward profile;
- (b) the market approach was not adopted because only a few listed companies are substantially comparable to the valuation target, which does not satisfy the market approach's requirement for a sufficient number of comparable companies to be compared; and
- (c) the asset-based approach was adopted because (i) the industry to which the assets entrusted for valuation belong to is relatively mature and its industry information is relatively complete; the replacement price of the assets under valuation can be obtained from various sources such as public websites; and (ii) the relevant depreciation of the assets included in the valuation target can be estimated on the basis of an on-site survey and the collection of relevant information to estimate the rate of physical depreciation, the rate of functional depreciation and the rate of economic depreciation, and thus the relevant depreciation.

In conducting such asset-based approach valuation, the valuer has assessed the following assets of Jiali Culture:

- (a) cash and currencies;
- (b) accounts receivable;
- (c) others receivable;
- (d) non-current assets due within one year;
- (e) other current assets; and
- (f) long-term receivables.

Having considered the above, the Board considers that the Consideration I is fair and reasonable and in the interests of the Company and its shareholders as a whole.

**Conditions Precedent:** Completion I is conditional upon the satisfaction or waiver (as the case may be) of, including but not limited to, certain conditions, among other usual and customary conditions for a transaction of this nature and scale, as stated below:

- (i) all procedures for change of registration at the relevant PRC authorities in respect of the Acquisition I having been completed to the satisfaction of Zhonglian Shengshi and the register of shareholders and the capital contribution certificate reflecting the Acquisition I having been issued to Zhonglian Shengshi;
- (ii) candidates nominated by Zhonglian Shengshi having been elected or appointed as director(s), supervisor(s) and/or senior management member(s) (as the case may be) of Jiali Culture;
- (iii) the results of the real property search of Jiali Culture conducted by Zhonglian Shengshi or any other entity designated by Zhonglian Shengshi confirming that there are no other encumbrances such as mortgages, seizures, freezes, etc., on the Property;

- (iv) a written agreement in form and substance satisfactory to Zhonglian Shengshi having been entered into between Jiali Culture and the relevant property manager (a) delineating the area of the property that is subject to payment of management fees, (b) stipulating the relevant fee standards and (c) confirming that (aa) all management fees due and payable by Jiali Culture have been paid in full, (bb) there are no disputes or controversies in respect thereof, and (cc) no claims associated with management fees will be brought against Jiali Culture; and
- (v) a laundry list of equipment and facilities in respect of the Property in form and substance satisfactory to Zhonglian Shengshi having been provided to Zhonglian Shengshi and the data transfer, the handover of equipment and facilities in respect of the Property and the debt arrangements as contemplated under the Sale and Purchase Agreement I undertaken by Jiali Culture having been completed to the satisfaction Zhonglian Shengshi.

**Completion:**

The Completion I shall take place on the third business day after all the conditions precedent under the Sale and Purchase Agreement I have been satisfied or waived or on any other date as agreed between Jiali Culture and Zhonglian Shengshi (the "Completion Date I").

**Undertakings of Huayi Entertainment and Huayi Brothers:**

Huayi Entertainment and Huayi Brothers have undertaken that, among others, they shall not recruit or hire any individuals employed by or serving at Jiali Culture within two years from the date on which registration for change in equity interests is completed.

As all the conditions precedent under the Sale and Purchase Agreement I had been satisfied, the Completion I had been completed in the first quarter of 2024, and there was no adjustment in the Consideration I. Following the Completion I and as at the date of this announcement, Zhonglian Shengshi owned the entire equity interest in Jiali Culture, which in turn held the Property. Jiali Culture has since become an indirect wholly-owned subsidiary of the Company and its financial results have been consolidated into the financial statements of the Group.

## **The Sale and Purchase Agreement II**

**Date:** July 23, 2024

**Parties:**

- (i) Beijing Alibaba, being an indirect wholly-owned subsidiary of the Company (as the purchaser);
- (ii) Dongyang Meila (as the target company);
- (iii) Beijing Meila (as the subsidiary of Dongyang Meila);
- (iv) Hainan Meila (as the subsidiary of Dongyang Meila); and
- (v) Huayi Brothers (as the vendor).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Dongyang Meila, Beijing Meila, Hainan Meila and Huayi Brothers and their respective ultimate beneficial owners (where applicable) are third parties independent of the Company and its connected persons.

**Assets to be purchased:** Huayi Brothers agreed to sell, and Beijing Alibaba agreed to purchase, 70% of the entire equity interest in Dongyang Meila.

**Consideration,  
adjustments and set-  
off:**

The consideration for the Acquisition II shall be RMB350,000,000 (the “Consideration II”) subject to adjustments. The Consideration II will be adjusted if any Value Diminution Event II occurs between the Base Date II and the Completion Date II, and in such case, the amount involved in the aforesaid event shall be deducted from the Consideration II accordingly.

Upon the Completion II, the Consideration II, after adjustment if applicable, shall be fully settled by way of set-off against the outstanding principal due and owing by Huayi Brothers under the Loan Agreement on a dollar-for-dollar basis pursuant to the Set-Off Agreement II.

The Consideration II was determined through arm’s length negotiation between Beijing Alibaba and Huayi Brothers based on the appraised value of the entire equity interests of Dongyang Meila set out in a valuation report as issued by an independent professional valuer as of December 31, 2023, and their reasonable market valuation for the relevant time being (i.e. between RMB500,000,000 and RMB600,000,000).

## **Key Assumptions**

The key assumptions of the valuation were substantially the same as those adopted for the valuation of the Consideration I as stated above.

## **Valuation Method, Reasons for Adoption and Parameters of the Valuation**

There are three generally accepted approaches to value a company, namely the income approach, the asset-based approach and the market approach. The market approach was adopted by the valuer in deriving the fair value of 100% equity interest in Dongyang Meila as at the valuation date on December 31, 2023 for the following reasons:

- (a) the income approach was not adopted because (i) the transaction involves Dongyang Meila (which is a subsidiary of a listed company on the Shenzhen Stock Exchange), more detailed financial information and profit forecast data cannot be provided prior to the completion of the transaction due to listing regulation and commercial confidentiality restrictions; and (ii) the subject of the transaction and the parties involved in the transaction are listed companies on the Shenzhen Stock Exchange and the Stock Exchange of Hong Kong, the announcement of future earnings and cash flow forecasts may cause stock price fluctuations and increase the uncertainty of the success of the transaction, and hence the valuation target has not provided its earnings forecast data;
- (b) the asset-based approach was not adopted because, under normal circumstances, it is difficult to reflect all the intangible assets owned by a company, such as brand advantages, technological advantages, customer resources, product advantages, etc., in the valuation results of the asset-based method, and as a result, the completeness and reliability of the valuation results of the asset-based method are relatively poor; and

- (c) the market approach was adopted because, after considering the capital market and business region of the valuation target, the valuer analyses that the current A-share capital market is a fully developed and active capital market, and at the same time, there exists a sufficient number of reference companies in the said capital market that are the same or similar to the valuation target, and that it is possible to collect and obtain the market information, financial information and other relevant information of the reference companies. Therefore, it is appropriate to adopt the listed company comparative method in the market approach.

The valuer identified three listed companies on the Shenzhen Stock Exchange as comparable companies based on the following criteria:

- (a) principal businesses are TV and film production and distribution and entertainment agency, etc.
- (b) listed on the stock exchange for at least three years; and
- (c) making profit for the last two consecutive years

Among various value and price multiples, the valuer has adopted the price-to-sales ratio (“P/S”) for the valuation based on the following reasons:

- (a) considering that the purpose of the appraisal is an equity acquisition and the valuation target is an asset-light company whose value is reflected in its future earnings, the price-to-book ratio (P/B) indicator, which is directly related to the net assets of the company, has been excluded; and
- (b) as the comparable listed companies have different degrees of losses in net profit after extraordinary gains and losses, the price-to-earnings ratio (P/E) indicator is not selected.

The valuer has quantified the P/S ratio of each of the aforesaid selected comparable companies by dividing its market capitalisation by its operating revenue, and thereafter has come up with an average P/S ratio of 6.39.

The valuer then utilised the following formula to quantify the appraised value of Dongyang Meila:

Total shareholders' equity of the valuation target = (P/S ratio multiplier x operating income of the valuation target – interest-bearing debt + non-operating assets and liabilities – value of minority interests) x (1 – lack of liquidity discount rate)

Having considered the above, the Board considers that the Consideration II is fair and reasonable and in the interests of the Company and its shareholders as a whole.



**Conditions Precedent:** Completion II is conditional upon the satisfaction or waiver (as the case may be) of, including but not limited to, certain conditions, among other usual and customary conditions for a transaction of this nature and scale, as stated below:

- (i) the Transaction Documents having been executed and effected by duly authorized representatives of the relevant parties, and both parties having reached an agreement on the total amounts payable under the Settlement Agreement;
- (ii) confirmation letters signed by each of Huayi Brothers and Target Group II members confirming all the conditions precedent stipulated under the Sale and Purchase Agreement II have been satisfied having been delivered to Beijing Alibaba;
- (iii) legal representative(s), executive director(s) and financial officer(s) of Dongyang Meila nominated by Huayi Brothers having tendered resignation to the satisfaction of Beijing Alibaba;
- (iv) candidates nominated pursuant to the Cooperation Agreement II having been elected or appointed as executive director(s) and senior management member(s) of Dongyang Meila to the satisfaction of Beijing Alibaba;
- (v) each Target Group II Member having entered into an employment agreement containing a non-competition clause or a separate non-competition agreement in form and substance satisfactory to Beijing Alibaba with the core employees of, and the new employees employed during the period from the date of signing of the Sale and Purchase Agreement II and the Completion Date II by, each Target Group II member;

- (vi) all consents, approvals, notices, filings or registrations required for the execution or performance of the Sale and Purchase Agreement II or for the consummation of the Acquisition II, having been obtained;
- (vii) Beijing Alibaba having obtained approval for the Acquisition II from its internal decision-making body;
- (viii) resolutions having been passed by all shareholders of Dongyang Meila and decisions having been made by the executive directors of Dongyang Meila to (a) approve the Acquisition II and the amendments to the articles of association of Dongyang Meila in connection with the Acquisition II; (b) having executed, delivered and performed the Transaction Documents; (c) resolutions having been passed by all shareholders of Dongyang Meila at general meeting to waive the pre-emptive rights and all other preferential rights, if any, in respect of the Acquisition II; and
- (ix) the Supplemental Loan Agreement and the Termination Agreement having been duly executed and effected, in form and substance satisfactory to Beijing Alibaba.

**Completion:**

The Completion II shall take place on the third business day after all the conditions precedent under the Sale and Purchase Agreement II have been satisfied or waived or on any other date as agreed between Huayi Brothers and Beijing Alibaba (the "Completion Date II").

**Undertakings of Huayi Brothers:**

Huayi Brothers has undertaken that, among others, from the Completion Date II and during the period in which Mr. Feng is a shareholder of Dongyong Meila, Huayi Brothers shall not, and shall ensure that their respective affiliates shall not, among others, (a) jointly establish with Mr. Feng a corporate entity which is in competition with the Target Group II in the business of film and television production as well as similar production business (the “Competing Entity”); (b) be employed by or provide services to the Competing Entity; (c) making any form of investment in a Competing Entity (including becoming an owner, shareholder, beneficial owner or creditor of such Competing Entity), or managing, operating, joining or controlling such Competing Entity; (d) carrying out any business dealings with such Competing Entity; and (e) providing any form of counseling, advice, financial assistance or otherwise to the Competing Entity.

**Other agreements entered into as a result of the Acquisitions**

Pursuant to the Sale and Purchase Agreements, the relevant parties also entered into the following agreements:

- (i) Set-Off Agreement I – such agreement was entered into among Zhonglian Shengshi, Beijing Alibaba, Huayi Brothers and Huayi Entertainment for the purpose of setting-off the Consideration I against the outstanding principal of the Loan due and owing by Huayi Brothers to the Group on a dollar-for-dollar basis (*Note*);
- (ii) Set-Off Agreement II – such agreement was entered into among Beijing Alibaba and Huayi Brothers for the purpose of setting-off the Consideration II against the outstanding principal of the Loan due and owing by Huayi Brothers to the Group on a dollar-for-dollar basis (*Note*);

*Note:* Pursuant to the set-off agreements mentioned above, the principal amount under the Loan Agreement will become zero after offsetting. However, the corresponding unpaid interest and liquidated damages, amounting to approximately RMB82,000,000 and interest on Consideration II calculated at an annual rate of 4.75% from July 24, 2024 to Completion Date II, payable by Huayi Brothers to the Group under the Loan Agreement will continue to be payable, and the parties have entered into an agreement to settle and repay such monies and other payables by Huayi Brothers and its affiliates to the Group (the “Settlement Agreement”).

- (iii) Supplemental Loan Agreement – such agreement was entered into among Beijing Alibaba (as lender), Huayi Brothers (as borrower), Huayi Pictures, Huayi Entertainment (Tianjin) and four individuals who are Independent Third Parties (as guarantors) to amend and supplement the Loan Agreement, whereby, among other things, (a) the parties thereto agreed to extend the maturity date for repayment of the remaining principal amount of the Loan of RMB350,000,000 from July 24, 2024 to October 24, 2024, and (b) the aforesaid guarantors agreed to continue to provide corresponding guarantees for the remaining principal amount of the Loan, the unpaid interest corresponding to the principal amount of the Loan, as well as the interest for overdue repayment; and
- (iv) Cooperation Agreement II – such agreements were entered into among Dongyang Meila, Beijing Meila, Hainan Meila, Mr. Feng and Beijing Alibaba for the purpose for governing the operation and the shareholders’ rights and obligations of Dongyang Meila as well as the business cooperation between Dongyang Meila and its shareholders. For further details of such agreement, please refer to the paragraph headed “REASONS FOR AND BENEFITS OF THE ACQUISITIONS” below.

## **INFORMATION OF THE TARGET COMPANIES AND THE PROPERTY**

### **Jiali Culture**

Jiali Culture is a company established under the laws of the PRC with limited liability, and the entire equity interest in which was owned by Huayi Entertainment immediately prior to the Completion I. Following the Completion I, Jiali Culture has become an indirect wholly-owned subsidiary of the Company. Jiali Culture is principally engaged in property holding.

The Property comprises eight commercial units and twenty-nine parking spaces and is located within Huayi Brothers Office Building\* (華誼兄弟總部大樓), a multi-purpose office building at No. A2, Xinyuan South Road, Chaoyang District, Beijing. The Property has a saleable area of 9,871.67 square feet, out of which an area of 1,919.11 square feet is currently leased to independent third party(ies) of the Company and is operating as a bathing and recreational center. The remaining area of 8,167.61 square feet is currently being put on the rental market for office purposes.

### **Dongyang Meila and its subsidiaries**

Dongyang Meila is a company established under the laws of the PRC with limited liability, and the equity interest in which is owned as to 70% and 30% by Huayi Brothers and Mr. Feng, respectively. Dongyang Meila is principally engaged in the production and investment in movies, television dramas and online dramas. Upon the Completion II, the equity interest in Dongyang Meila will be owned as to 70% and 30% by Beijing Alibaba and Mr. Feng, respectively, and Dongyang Meila will become a subsidiary of the Company and its financial results will be consolidated into the financial statements of the Group.

Beijing Meila is a company established under the laws of the PRC with limited liability, and the entire equity interest in which is owned by Dongyang Meila. Beijing Meila is principally engaged in, among others, production and operation of radio and TV programs, distribution of television dramas, and distribution of films.

Hainan Meila is a company established under the laws of the PRC with limited liability, and the entire equity interest in which is owned by Dongyang Meila. Hainan Meila is principally engaged in, among others, production and operation of radio and TV programs; and production of television dramas.

### Historical financial information of the target companies

Set out below is a summary of the unaudited or audited (as the case may be) consolidated financial information of each of Jiali Culture and Dongyang Meila for the two years ended December 31, 2023 respectively based on the management accounts or the financial report (as the case may be) of each of Jiali Culture and Dongyang Meila:

#### Jiali Culture

	For the financial year ended	
	December 31,	
	2023	2022
	(RMB)	(RMB)
	(Unaudited)	(Unaudited)
<b>Revenue</b>	<b>9,507,944.03</b>	9,250,722.57
<b>Net profit/(loss) before taxation and extraordinary items</b>	<b>(16,873,090.97)</b>	1,635,322.70
<b>Net profit/(loss) after taxation and extraordinary items</b>	<b>(16,921,936.77)</b>	1,701,566.10

As at May 31, 2024, the unaudited total assets of Jiali Culture was RMB423,835,510.08, the unaudited total liabilities of Jiali Culture was RMB195,693,797.59 and the unaudited net assets value of Jiali Culture was RMB228,141,712.49.

#### Dongyang Meila

	For the financial year ended	
	December 31,	
	2023	2022
	(RMB)	(RMB)
	(Unaudited)	(Unaudited)
<b>Revenue</b>	<b>123,726,747.97</b>	7,713,461.68
<b>Net profit/(loss) before taxation and extraordinary items</b>	<b>50,479,975.11</b>	6,169,359.59
<b>Net profit/(loss) after taxation and extraordinary items</b>	<b>37,604,175.54</b>	4,577,104.46

As at May 31, 2024, the unaudited total assets of Dongyang Meila was RMB378,458,459.13, the unaudited total liabilities of Dongyang Meila was RMB118,185,928.55 and the unaudited net assets value of Dongyang Meila was RMB260,272,530.58.

## **INFORMATION OF HUAYI BROTHERS, HUAYI ENTERTAINMENT, HUAYI ENTERTAINMENT (TIANJIN) AND HUAYI PICTURES**

Huayi Brothers is a company established under the laws of the PRC with limited liability and the shares of which are listed and traded on the Shenzhen Stock Exchange (stock code: 300027). It is principally engaged in the business of media, investing in and producing movies, television dramas, artist agency, recordings, and entertainment marketing through its subsidiaries.

Huayi Entertainment is a company established under the laws of the PRC with limited liability, and the entire equity interest in which is directly owned by Huayi Brothers. Huayi Entertainment is principally engaged in the business of investing in and producing television dramas.

Huayi Entertainment (Tianjin) is a company established under the laws of the PRC with limited liability, and the entire equity interest in which is directly owned by Huayi Brothers. Huayi Entertainment (Tianjin) is principally engaged in investing in and managing industries related to internet, film and television, culture, media and sport.

Huayi Pictures is a company established under the laws of the PRC with limited liability, and the entire equity interest in which is directly owned by Huayi Brothers. Huayi Pictures is principally engaged in the business of investing in and producing movies.

## **INFORMATION OF THE COMPANY, ZHONGLIAN SHENGSHI AND BEIJING ALIBABA**

The Company was incorporated in Bermuda and its shares are listed and traded 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 Company includes five major segments: film investment, production, promotion and distribution, film ticketing and technology platform, Damai Business, drama series production and IP merchandising and innovative initiatives.

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

Beijing Alibaba, being a limited liability company established under the laws of the PRC, is a consolidated subsidiary of the Company and its principal business is movie production and investment holding.

## **REASONS FOR AND BENEFITS OF THE ACQUISITIONS**

The Property is situated at a prime location in Chaoyang District, Beijing. It is expected that the Property could generate stable rental income to the Group, which in turn, will strengthen the cash flow of the Group. In addition, the Property will be regarded as a long term investment of the Group where the Group is seeking long-term capital gains from such Property.

Dongyang Meila mainly engage in production and investment in movies, television dramas and online dramas which is similar to the principal business of the Group. Furthermore, Mr. Feng, being a renowned movie director in the PRC, is also a shareholder of Dongyang Meila. As part of such acquisition, the Group will also enter into the Cooperation Agreement II with Mr. Feng, which sets out plan for future cooperation on and strategic cooperation interests in production of movies. Accordingly, such acquisition align with the strategic and business interests of the Group and is expected to further the content segment which is the Group's core business. It will also enhance the Group's footprint in the PRC in terms of the entertainment industry.

Reference is made to the announcement of the Company dated January 23, 2019 in relation to the strategic cooperation framework agreement and the Loan Agreement entered into between Beijing Alibaba, being a consolidated subsidiary of the Company, and Huayi Brothers, pursuant to which, among others, Beijing Alibaba has agreed to grant a loan of RMB700,000,000 to Huayi Brothers for a term of 5 years at the interest rate of the People's Bank of China 5-year lending base lending rate. As at the date of this announcement, as a result of the set-off against the Consideration I on a dollar-for-dollar basis upon the Completion I, the outstanding principal due and owing by Huayi Brothers to the Group under the Loan Agreement was reduced to RMB350,000,000 which will be set off against the Consideration II on a dollar-for-dollar basis upon the Completion II.

Having considered (i) the recent financial status and repayment capabilities of Huayi Brothers; (ii) the appraised values of each of Jiali Culture (together with the Property) and Dongyang Meila; (iii) the set-off mechanism for the settlement of the Total Consideration pursuant to the terms of the Sale and Purchase Agreements and the Set-Off Agreements; (iv) the investment potential of and the rental income derivable from the Property and (v) the aforementioned strategic benefits for cooperation with Mr. Feng, the Directors are of the view that the terms of each of the Sale and Purchase Agreements, the Set-Off Agreements, the Supplemental Loan Agreement and the Cooperation Agreement II are on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## FINANCIAL EFFECT OF THE ACQUISITIONS

Upon the Completion I, Jiali Culture has become an indirect wholly-owned subsidiary of the Group. Upon the Completion II, Dongyang Meila will become an indirect non-wholly-owned subsidiary of the Group. Accordingly, financial results of each of Jiali Culture and Dongyang Meila has been or will be consolidated into the Group's consolidated financial statements. It is anticipated that no material accounting gain or loss arising from the relevant accounting treatment as a result of the Acquisitions will be derived to the Group. The actual accounting impact is subject to, among others, the respective fair value and carrying value of Jiali Culture and Dongyang Meila on the Completion Date I and the Completion Date II, respectively, as well as audit by the auditors of the Company.

## LISTING RULES IMPLICATIONS

At the relevant time when the Sale and Purchase Agreement I was entered into, all applicable percentage ratios in respect of the Acquisition I were less than 5%. As such, the Acquisition I did not constitute a notifiable transaction for the Company.

Since the Acquisition I was conducted within a 12-month period and the Loan owing by Huayi Brothers to the Group will be utilized to set-off the Total Consideration, the Acquisition I is required to be aggregated with the Acquisition II pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Acquisitions on an aggregate basis is more than 5% but less than 25%, the Acquisitions constitute a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

**The Acquisition II is subject to certain conditions under the Sale and Purchase Agreement II. Accordingly, the Acquisition II may or may not materialize. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.**

## DEFINITIONS

Unless the context otherwise requires, capitalized terms used in this announcement shall have the following meanings:

“Acquisition I” the transfer of the entire equity interest in Jiali Culture from Huayi Entertainment to Zhonglian Shengshi and the assignment of the shareholder's loan due and owing by Jiali Culture to Huayi Entertainment in the amount of approximately RMB130,018,605 in accordance with the Sale and Purchase Agreement I



“Acquisition II”	the transfer of 70% of the entire equity interest in Dongyang Meila from Huayi Brothers to Beijing Alibaba in accordance with the Sale and Purchase Agreement II
“Acquisitions”	collectively, the Acquisition I and the Acquisition II
“Base Date I”	August 31, 2023
“Base Date II”	May 31, 2024
“Beijing Alibaba”	北京阿里巴巴影業文化有限公司 (Beijing Alibaba Pictures Culture Co., Ltd*), formerly known as 北京中聯華文化傳媒投資有限公司 (Beijing Asian Union Culture Media Investment Co., Ltd.*), a company established under the laws of the PRC with limited liability and a consolidated subsidiary of the Company
“Beijing Meila”	北京美拉文化傳媒有限公司 (Beijing Meila Media Company Limited*), a company incorporated in the PRC with limited liability
“Board”	the board of directors of the Company
“Company”	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 and traded on the Main Board of the Stock Exchange (stock code: 1060)
“Competing Entity”	has the meaning as defined under the paragraph headed “The Sale and Purchase Agreement II – Undertakings of Huayi Brothers” in this announcement
“Completion I”	completion of the Acquisition I pursuant to the Sale and Purchase Agreement I
“Completion II”	completion of the Acquisition II pursuant to the Sale and Purchase Agreement II

“Completion Date I”	has the meaning as defined under the paragraph headed “The Sale and Purchase Agreement I – Completion” in this announcement
“Completion Date II”	has the meaning as defined under the paragraph headed “The Sale and Purchase Agreement II – Completion” in this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration I”	has the meaning as defined under the paragraph headed “The Sale and Purchase Agreement I – Consideration, adjustments and set-off” in this announcement
“Consideration II”	has the meaning as defined under the paragraph headed “The Sale and Purchase Agreement II – Consideration, adjustments and set-off” in this announcement
“Cooperation Agreement II”	the cooperation agreement dated July 23, 2024 and entered into among Dongyang Meila, Beijing Meila, Hainan Meila, Mr. Feng and Beijing Alibaba for the purpose for governing the operation and the shareholders’ rights and obligations of Dongyang Meila as well as the business cooperation between Dongyang Meila and its shareholders
“Damai Business”	the live entertainment business managed and operated by 北京大麥文化傳媒發展有限公司 (Beijing Damai Cultural Media Development Co., Ltd.*), a consolidated entity of the Company
“Director(s)”	the director(s) of the Company
“Dongyang Meila”	浙江東陽美拉傳媒有限公司 (Zhejiang Dongyang Meila Media Company Limited*), a company established under the laws of the PRC with limited liability
“Group”	the Company and its subsidiaries from time to time

“Hainan Meila”	海南美拉傳媒有限公司 (Hainan Meila Media Company Limited*), a company established under the laws of the PRC with limited liability
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huayi Brothers”	華誼兄弟傳媒股份有限公司 (Huayi Brothers Media Corporation*), a company established under the laws of the PRC with limited liability
“Huayi Entertainment”	北京華誼兄弟娛樂投資有限公司 (Beijing Huayi Brothers Entertainment Investment Company Limited*), a company established under the laws of the PRC with limited liability
“Huayi Entertainment (Tianjin)”	華誼兄弟互娛樂(天津)投資有限公司 (Huayi Brothers Entertainment (Tianjin) Investment Co., Ltd*), a company established under the laws of the PRC with limited liability
“Huayi Pictures”	華誼兄弟電影有限公司 (Huayi Brothers Pictures Co., Ltd*), a company established under the laws of the PRC with limited liability
“Independent Third Party(ies)”	person who himself is, and (in the case of corporate entity) its ultimate beneficial owners are, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, third party who is independent of the Company and its connected person (has the meaning ascribed to it under the Listing Rules)
“Jiali Culture”	北京駿聲嘉利文化有限公司 (Beijing Junsheng Jiali Culture Co., Ltd*), formerly known as 北京華誼兄弟嘉利文化發展有限公司 (Beijing Huayi Brothers Jiali Cultural Development Company Limited*), a company established under the laws of the PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the loan with an outstanding principal amount of RMB700,000,000 pursuant to the Loan Agreement

“Loan Agreement”	the loan agreement dated January 23, 2019 and entered into between Beijing Alibaba and Huayi Brothers for a loan of RMB700,000,000 at the interest rate of the People’s Bank of China 5-year lending base lending rate, as amended and supplemented by supplemental agreements dated December 31, 2019 and January 23, 2024, respectively, and the Supplemental Agreement
“Mr. Feng”	Mr. Feng Xiaogang (馮小剛), an Independent Third Party
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China and for the purpose of this announcement, excludes Hong Kong the Macao Special Administrative Region of the PRC and Taiwan
“Property”	8 units on B1, 2nd, 3rd and 4th Floors and 29 underground parking spaces located within Huayi Brothers Office Building* (華誼兄弟總部大樓), a multi-purpose office building at No. A2, Xinyuan South Road, Chaoyang District, Beijing
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement I”	the equity transfer agreement dated November 13, 2023 entered into between and among Zhonglian Shengshi, Jiali Culture, Huayi Entertainment and Huayi Brothers
“Sale and Purchase Agreement II”	the equity transfer agreement dated July 23, 2024 entered into between and among Beijing Alibaba, Dongyang Meila, Beijing Meila, Hainan Meila and Huayi Brothers
“Sale and Purchase Agreements”	collectively, the Sale and Purchase Agreement I and the Sale and Purchase Agreement II
“Set-Off Agreement I”	the assignment of debts and set-off agreement dated November 13, 2023 entered into between and among Zhonglian Shengshi, Beijing Alibaba, Huayi Entertainment and Huayi Brothers

“Set-Off Agreement II”	the assignment of debts and set-off agreement dated July 23, 2024 entered into between Beijing Alibaba and Huayi Brothers
“Set-Off Agreements”	collectively, the Set-Off Agreement I and the Set-Off Agreement II
“Settlement Agreement”	has the meaning as defined under the paragraph headed “Other agreements entered into as a result of the Acquisitions” in this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Loan Agreement”	the supplemental loan agreement dated July 9, 2024 and entered into among Beijing Alibaba (as lender), Huayi Brothers (as borrower), Huayi Pictures, Huayi Entertainment (Tianjin) and four individuals who are Independent Third Parties (as guarantors) to amend and supplement the Loan Agreement
“Target Group II”	Dongyang Meila, Beijing Meila, Hainan Meila and their respective subsidiaries, each a “Target Group II Member”
“Termination Agreement”	the termination agreement entered into by Mr. Feng, Huayi Brothers and Dongyang Meila in relation to termination of all the special rights and obligations under an equity transfer agreement entered into among the aforesaid parties and an Independent Third Party on November 19, 2015 in relation to a preferential cooperation and other matters
“Total Consideration”	collectively, the Consideration I and the Consideration II
“Transaction Documents”	the Sale and Purchase Agreement II or the amended and restated article of association of Dongyang Meila, the Set-Off Agreement II, the Cooperation Agreement II, the Settlement Agreement, a quadripartite agreement on disposal of claims and debts entered into among Beijing Alibaba, Dongyang Meila, Huayi Pictures and Huayi Brothers and any other ancillary agreements contemplated thereunder or incidental thereto

“Value Diminution Event I”	events that include, but not limited to, distribution of dividends, profits or assets by Jiali Culture to Huayi Entertainment or Huayi Brothers or the affiliates of the aforesaid entities or the directors, supervisors, officers (if any) of the aforesaid entities or the affiliates of such natural persons (collectively, the “ <u>Vendor-Related Persons I</u> ”); any payment or disposition of any assets, rights or benefits by Jiali Culture to the Vendor-Related Persons I; or Jiali Culture’s assumption of responsibilities and obligations for the benefit of the Vendor-Related Persons I, etc.
“Value Diminution Event II”	events that include, but not limited to, distribution of dividends, profits or assets by any Target Group II Member to Huayi Brothers or core employees of any members of Target Group II or Mr. Feng or the affiliates of the aforesaid entities or the directors, supervisors, officers (if any) of the aforesaid entities or the affiliates of such natural persons (collectively, the “ <u>Vendor-Related Persons II</u> ”); any payment or disposition of any assets, rights or benefits by any Target Group II Member to the Vendor-Related Persons II; or assumption of responsibilities and obligations by any Target Group II Member for the benefit of the Vendor- Related Persons II, etc.
“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

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

Hong Kong, July 23, 2024

As at the date of this announcement, 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.

\* *For identification purpose only*